Austria ... Sch. 18	Indonesia .. Rp 2500	Portugal ... Esc 80
Bahrain .. Din 0.650	Italy .... L 1300	S. Arabia .. Rls 6.00
Belgium .... BFr 42	Japan Y550	Singapore . S$ 4.10
Canada ... C$1.00	Jordan ... Fils 500	Spain .... Pta 110
Cyprus ... C£0.80	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Denmark .. DKr 7.25	Lebanon .. £L 6.00	Sweden .. SKr 6.50
Egypt .... E£1.00	Luxembourg . LFr 42	Switzerland SFr 2.20
Finland .. Fmk 6.00	Malaysia .. Rgt 4.25	Taiwan ... NT $65
France .. FFr 6.00	Mexico .. Pes 300	Tunisia .. Din 0.600
Germany . DM 2.20	Morocco .. Dh 6.00	Turkey .... L 210
Greece ..... Dr 70	Netherlands . Fl 2.50	U.A.E. ... Dh 6.50
Hong Kong . HK$ 12	Norway .. NKr 6.00	U.S.A. $1.00
India .... Rup 15	Philippines . Pes 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,738 | Friday September 27 1985 | D 8523 B

Sorting out South Africa's debt problems, Page 5

World news | Business summary

Right presses Fabius to quit

France's right-wing opposition stepped up demands for the resignation of Prime Minister Laurent Fabius after his broadcast blaming former Defence Minister Charles Hernu for the sinking of the Greenpeace ship Rainbow Warrior was widely judged to have been unconvincing.

At the same time, five French soldiers, including a colonel in the secret service, were charged in Paris with leaking secrets about the Rainbow Warrior affair.

In New York, at the United Nations General Assembly, France and New Zealand agreed to set up a working group to study mutual recriminations. Page 3, Page 20

Hurricane sweeps in

Thousands of people fled and U.S. forces transferred aircraft and ships from Atlantic coast home bases as Hurricane Gloria, described as one of the most powerful this century, headed towards the North Carolina coast. Page 7

Tunis breaks ties

Tunisia broke off diplomatic relations with Libya after four of Libya's diplomats in Tunis had been ordered out of the country for allegedly posting letter bombs to Tunisian journalists. The two countries are at loggerheads over Libya's expulsion of 30,000 Tunisian migrant workers.

Moscow–Oman link

The Soviet Union and the conservative Sultanate of Oman are to establish diplomatic relations. That marks a breakthrough for Moscow in the Gulf region, where most states have no diplomatic ties with the Kremlin. Page 2

Sudan mutiny fails

Sudanese paratroopers put down a mutiny by soldiers in north Khartoum, and another in nearby Omdurman also failed.

Four Basques shot

The right-wing Anti-Terrorist Liberation Group claimed responsibility for the murder of four suspected Basque separatists who were killed in Bayonne, south-west France. Page 2

Norwegian reshuffle

Norwegian Prime Minister Kaare Willoch announced a reshuffled Cabinet that strengthened the position of the two coalition partners in his minority centre-right Government.

Heroin sentences

Three men were given prison sentences ranging from two to 13 years in Lugano, Switzerland, for laundering $47m amassed from heroin sales in pizza bars in the U.S.

Tremor hits Chile

A strong earth tremor shook Santiago and other cities in central Chile, but there were no reports of damage or casualties.

U.S. pull-out threat

The U.S. is threatening to withdraw from the International Atomic Agency if a resolution urging sanctions against Israel is passed. Page 3

Cosmonauts return

Two veteran Soviet cosmonauts, one of whom had been in space for over three months, returned to earth safely near the town of Dzhezkazgan in Soviet Kazakhstan.

Asylum sought

An East German circus performer travelling in Japan sought asylum in the West German embassy in Tokyo.

Unilever raises offer for Vicks

UNILEVER, Anglo-Dutch group, said it would pay $60 a share – a $2 increase – for Richardson-Vicks, if the board of the U.S. health and skin-care group accepted its $1.35bn offer. It left unchanged the $48 offer if directors continued to oppose the bid. Page 29 and Lex.

DOLLAR fell in London to DM 2.6600 (DM 2.6800), SwFr 2.1775 (SwFr 2.2065), FFr 8.12 (FFr 8.20) and Y220.20 (Y226.90). On Bank of England figures, the dollar's exchange-rate index fell to 131.6 from 134.1. Page 35

STERLING fell 15 points in London to close at $1.4385. It also fell to DM 3.8275 (DM 3.8600), SwFr 3.1325 (SwFr 3.1775), FFr 11.68 (FFr 11.8075) and Y316.75 (Y326.75). The pound's exchange-rate index fell to 82.0 from 82.6. Page 35

WALL STREET: The Dow Jones industrial average closed 8.74 up at 1,320.79. Page 42

LONDON gilts offered one of the few bright spots as equities proved lifeless. The FT Ordinary index slipped 1.5 to 979.1. Page 42

TOKYO: Stocks languished although volume approached near record levels of 1.35bn shares. The Nikkei Dow market average dipped 15.31 to close at 12,689.50 with many issues moving ex-rights and ex-dividend. Page 42

MILAN ignored concern over the weaker dollar and hit a record as mutual fund and foreign buying gained pace. The Banca Commerciale index advanced 4.41 to a peak 400.60. Page 42

SYDNEY: Late overseas buying of industrials and banks boosted the All-Ordinaries index to a record high with a 10.5 gain to 971.8. Page 42

GOLD rose $0.50 in the London bullion market to close at $329.25. It also rose in Zurich to $329.75 ($328.50). In New York, the Comex December settlement was $332.20. Page 34

HENKEL, West German chemicals concern that invented Persil washing powder, is raising more than DM 400M ($148m) through the first public share issue in the family-owned company's history. The issue will equip the 109-year-old group for expansion in West Germany and abroad. Page 20

PIRELLI, Italian tyre and cable group, announced plans to convert a factory site on the outskirts of Milan into a science park with laboratories and research centres. Page 21

FRENCH BANKS and the Government are split over plans to set up a credit-rating agency to vet the financial health of companies. Page 21

KARSTADT and **Kaufhof**, West Germany's two largest stores groups, had their plan to merge their travel divisions turned down by the Federal Cartel Office. Page 21

MONTEDISON, leading Italian chemicals, health care and energy group, expects a profit of £100bn ($55.7m) for 1985 – its first profit, bar a small surplus in 1979, for 10 years. Page 21

BOEING, the U.S. airliner manufacturer, won a $500m order from Piedmont Airlines of North Carolina for 19 Boeing 737 twin-jet aircraft, bringing to 1,385 the total of 737s sold.

THOMAS Nationwide Transport (TNT), leading Austrian transportation group, earned A$28m ($20m) in the final quarter of the past financial year, nearly as much as for all of 1983–84. Net earnings for 1984–85 more than doubled to A$75.8m. Page 22

PKBANKEN, Sweden's third largest commercial bank, improved its operating result by 19 per cent to SKr 960m ($118m) in the first eight months of the year. Page 21

Gatt pleads case for trade talks as growth slackens

BY WILLIAM DULLFORCE IN GENEVA

GROWTH IN world trade slackened more quickly than expected in the first six months of 1985, the secretariat of the General Agreement on Tariffs and Trade (Gatt) reported yesterday.

The deceleration, it warned, might be a signal that the world economy was "in danger of slipping back into the anaemic performance of the post-1973 period."

The Gatt's international trade report for 1984-85, the first chapter of which was released yesterday, pleads the case for a new round of international trade negotiations to supplement monetary and fiscal action by the leading industrial countries.

It reasserts the value of action on trade after the moves to devalue the dollar announced by the Group of Five finance ministers last weekend and President Ronald Reagan's attempt to ward off protectionist pressures in the U.S. Congress by his statement on trade policy on Monday.

Hopes that a decision to go ahead with new trade talks might be taken by Gatt's 90 members at a special session in Geneva next Monday have faded, however, after prolonged discussions failed to resolve a dispute between the industrial nations and the developing countries over trade in services.

The Gatt's preliminary estimates indicate that the volume of world trade in the first six months was only some 3 per cent above that for the first half of 1984.

A slowdown had been forecast after the 9 per cent increase recorded last year but the deceleration has been sharper than expected. Gatt estimates that the growth in world trade this year will be less than 4 per cent instead of the 5 to 5.5 per cent forecast earlier.

The moment is ripe, Gatt suggests, for opening up the world trading system. That would reduce the risk of inflationary effects from more expansive monetary and fiscal policies.

It would also offer "an important additional option" for giving a strong boost to output and employment, Gatt claims.

Its report describes the double threat to the world trading system from the protectionist pressures generated in the U.S. by its trade deficit and from the continuing erosion of Gatt rules by governments that agree to restrict competition by sharing markets.

"An innocent observer could be forgiven for concluding that governments have decided that bilaterally managed trade on the pattern of the 1930s is preferable to multilateral liberal trade," Gatt comments.

The most immediate danger to the trading system is that it will become a scapegoat for problems the origins of which lie outside the trade area, the report says in an obvious reference to the demands for protectionist measures from the U.S. Congress.

Starting trade talks would improve the business climate even in the short run by providing a credible signal that governments were prepared to reverse the protectionist trends of the past decade, Gatt argues.

A more open and more predictable framework for world trade would also help to resolve the international debt issue. It would do so by sustaining economic growth in the industrial countries, improving access to foreign markets and promoting resumed growth in the indebted countries themselves.

The values of both exports and imports in most of the 16 heavily indebted countries started to decline

Continued on Page 20

Details, Page 6

Akali Dal sweeps to power in Punjab poll

BY JOHN ELLIOTT IN NEW DELHI

THE AKALI DAL party of India's Sikh community was last night sweeping to power with an absolute majority for the first time in its 65-year history in the Punjab state assembly.

This apparent landslide victory surprised even the most optimistic Sikh politicians and observers. It sets the Akali Dal party the daunting task of restoring peace and prosperity to the troubled northern Indian state which has been bedevilled with violence for the past three years. The vote was seen as a resounding rejection of Sikh extremist activities.

However, the size of the majority, with the Akalis winning perhaps 70 of the 115 seats contested at Wednesday's poll, may raise expectations of quick results which the party will find hard to achieve.

In 1977 the Akali Dal governed in coalition with the National Janata Party which was then in power in New Delhi. The administration was not effective and the Sikh politicians gained a reputation as quarrelsome and incapable of retaining power.

The heavy defeat of India's ruling Congress (I) Party could embarrass Mr Rajiv Gandhi, the Prime Minister, even though in private he is believed to support the view that an Akali Dal government is the Punjab's best chance of peace.

The defeat of the Congress (I), which has won almost all Punjab's earlier elections, is almost certainly a condemnation of the policies followed by Mrs Indira Gandhi, Mr Gandhi's mother and the former Prime Minister, who was shot by Sikh assassins last year. Mr Gandhi himself could nevertheless come in for some criticism from groups within his own party across the country who feel he has dropped too many experienced older politicians and instituted too many reforms.

The criticism may heighten because Congress (I) also did not appear to be beating the Akali Dal for 13 seats in the Lok Sabha, India's national parliament, 10 months after winning a landslide victory in other parts of the country in a general election.

There is also likely to be concern in New Delhi that the size of the vote for the Akalis demonstrates the growing popularity of regional political parties in India.

The party that was winning last night is called the Akali Dal (L) to distinguish it from splinter groups which boycotted the polls, especially the United Akali Dal led by Baba Joginder Singh.

Wild projections make China's statisticians figures of fun

BY ROBERT THOMSON IN PEKING

AN EMBARRASSING calculation – or miscalculation – by China's State Statistical Bureau that the country's trade deficit will be $18bn in 1985 has highlighted the potential for error in all Chinese commercial statistics, which are sometimes contradictory and often inconsistent.

The Ministry of Foreign Economic Relations and Trade claims the Statistical Bureau figure is grossly wrong, but is *not* prepared to provide an estimate of its own for this year's trade deficit. The Statistical Bureau reportedly stood by the figure, but the official news agency, Xinhua, said its report on the deficit forecast "contained inaccuracies in facts and figures."

Diplomats also agree that the figure is inaccurate, and suspect that the bureau reached its conclusion by simply extending a line on a graph, perhaps using a high import growth rate from last year, without taking into consideration government measures to slow imports and increase exports.

"This figure is wrong," a Western diplomat said. "I can't understand why they released it." Diplomats reckon the actual 1985 deficit will be between $5bn and $10bn.

Four bodies regularly release trade statistics, and all four – the Ministry of Foreign Economic Relations and Trade, the State Statistical Bureau, the Ministry of Customs, and the People's Bank of China – give differing figures. Three of the four calculated that China had a trade deficit last year, though none produced the same estimate. The People's Bank of China estimated that the country ran a trade surplus.

For the first half of this year the Ministry of Customs estimated that China had a deficit of $6.4bn, the Foreign Economic Relations and Trade Ministry calculated a deficit of $3.2bn and the State Statistical Bureau put the figure at $6.5bn. The People's Bank has yet to produce its variation on the theme.

Another diplomat expressed frustration at his country being berated by the Chinese for having a trade surplus in its favour when the Chinese themselves did not seem to be able to agree on how much the deficit was. He attributed the faulty tabulation to a lack of suitable technology and a shortage of expertise.

The U.S. and China both claimed deficits in bilateral trade for 1984, with the U.S. including indirect trade through Hong Kong as China trade, which the Chinese exclude from their calculation. There are similar disputes with several other countries.

The latest statistical gaffe is particularly embarrassing for the Chinese as they have been running a campaign in Peking to encourage statistical honesty and accuracy for the sake of credibility. A recent article in the weekly Peking Review was headed "China Slams the Sham," and condemned outrageous statistical claims made during the 1950s. At that time 19 provinces claimed to have wiped out illiteracy, which is still a major problem, and one village claimed to have established 12 universities.

Deficit 'may limit extent of decline'

By Max Wilkinson in London

FURTHER depreciation of the dollar may be limited unless the U.S. makes a more fundamental attack on its budget deficit, the Bank of England says in its latest quarterly bulletin published yesterday.

The bulletin hinted at the need for a co-ordinated policy of economic expansion outside the U.S., provided that did not create inflationary risks.

The bulletin was drafted before the Group of Five decided on a concerted effort to push the dollar down, but with the knowledge the meeting was to take place.

It implies that intervention in the foreign-exchange markets will be of limited effect without more radical measures, and a reversal of investment sentiment towards the dollar.

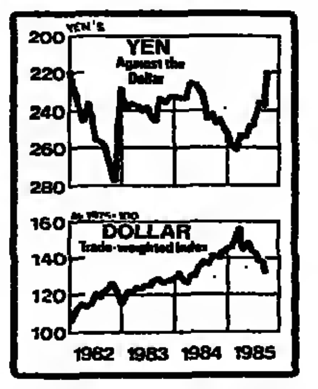
"A sustainable U.S. current account requires depreciation in the dollar and substantial cuts in the structural components of the U.S. budget deficit," the British central bank said.

"The alternative of relief to the U.S. external position from faster growth in Europe and Japan may call for co-ordination of measures to open markets and ease macro-economic policies in those countries in which cost pressures pose no serious threat."

Details, Page 8

Yen advances as $ slips in wary markets

BY MAX WILKINSON IN LONDON AND JUREK MARTIN IN TOKYO



THE DOLLAR fell again yesterday in highly unsettled foreign-exchange markets buzzing with rumours that central banks were poised for a bout of heavy intervention.

The main focus was on the relationship between the dollar and the yen after it emerged that that had been the main concern of ministers and central bankers at the five-power meeting in New York on Sunday.

In London, the dollar closed at Y220.2, down from Y226.9 on Wednesday.

In European trading, there was little evidence of heavy intervention against the dollar, although the Bank of Japan has spent about $1.5bn in supporting the yen this week.

The dollar continued to lose some ground against European currencies, closing in London at DM 2.66, 2 pfg lower than on Wednesday. The pound also slipped to finish at $1.4385, 15 points lower on the day.

Earlier yesterday, the Bank of Japan made clear that it expected the dollar to fall below Y220, a level it approached during unusually heavy trading in the Far East.

In Tokyo, the dollar had closed at Y222.80 having at one stage been as low as Y221. A senior official of Japan's central bank, commenting on the day's movement, said he was "not yet satisfied" with the yen's rate. But he denied a newspaper report that said the Bank of Japan had established a "target" zone of Y200 to Y210.

He confirmed, however, that the Bank of Japan had remained active in the market, selling dollars in unspecified amounts and nudging up short-term interest rates, which were in any case moving higher because of seasonal demand for funds at the end of the first half of the Japanese business year.

The official indicated that finance ministers and central bank gover-

Continued on Page 20

Currencies, Page 35

Wall St still doubts Fed's commitment to intervention

BY WILLIAM HALL AND PAUL TAYLOR IN NEW YORK

A SERIES of central bank interventions in the foreign-exchange markets, already believed to total up to $4bn, has swept through the financial markets like a tidal wave.

In the wake of the weekend Group of Five finance ministers meeting, the dollar has tumbled while Wall Street stock and bond prices have been sent on a roller-coaster ride as the markets have tried to assess the impact of the week's dramatic events.

But even now, there is deep scepticism on Wall Street about likely longer-term success of the apparent attempt to drive the U.S. currency lower. Wall Street doubts that even continued massive central bank intervention on its own will force the dollar substantially lower: indeed, many traders express fears such action might seriously disrupt the markets.

On Monday, the dollar fell by more than 5 per cent – its sharpest one-day decline ever. But despite the decline, New York bank foreign-exchange traders point out that the currency is still only about 10 pfennigs lower against the D-Mark than a month ago.

While the decline in the dollar on Monday was substantial, New York foreign-exchange traders still believe that the determination of the authorities to push the dollar lower – either via aggressive intervention or lower interest rates – has to be tested. "The market has reacted in a macho way – trying to test the central bank's resolve," one New York trader said.

Crucially, Wall Street foreign-exchange traders remain unconvinced about the Federal Reserve's determination to intervene in the markets. They do, however, accept that the last round of co-ordinated central bank intervention earlier this year coincided with the topping out of the dollar. Since then, the U.S. currency, on a trade-weighted basis, has declined by about 15 per cent. They believe that might have encouraged the U.S. authorities to try again.

But, despite the massive central-bank intervention this week, Wall Street remains uncertain about the level of U.S. participation. "We know the European central banks will act," one dealer said, "but whether the Fed will carry its share of the burden is an open question."

To the extent that the U.S. authorities are intervening, Professor Harold Rose, chief economic adviser of Barclays Bank, believes they are just "buying time." He adds: "It is only the beginning of a policy and not a policy in itself. It will not produce a permanent downward swing

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CONTENTS

EUROPEAN NEWS

Europe's loose-end is intent on carving out an independent future. David White in Madrid reports

Andorra's 'plastic bag economy' put at risk

FROM January next year, the map of the EEC will have a small hole in it. Right where the new members join the old is a bit of the Pyrenees that is waiting to know where it stands.

Not part of the Common Market, but not considered to be a fully-fledged third country, Andorra is a loose end of the enlargement process that still has to be dealt with.

A network of deep mountain valleys, slightly smaller than the Isle of Man, it always lived a curious in-between status which has kept it from the clutches of France and Spain. With its tax shelter, its skiing, and above all its low-duty, no VAT supermarkets, post-war Andorra has gone from rags to riches.

The "plastic bag economy" has turned the capital, Andorra la Vella, into a giant emporium. The country's population, now something over 40,000, has trippled in 20 years.

With Spain's entry to the EEC, however, Andorra's livelihood is now at risk. Spanish incorporation into the EEC customs union will whittle down the difference between what Spaniards pay for imported goods at home and the prices they obtain in Andorra.

It will also call into question the way the Spanish authorities have effectively been keeping Andorra in business, by turning a blind eye at the customs post.

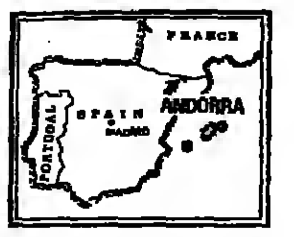
A footnote in the Community's enlargement terms gives a two-year period for a new customs deal to be worked out. In the meantime, merchants are beginning to sweat. Austerity in Spain has already provoked a crisis in commerce over the last two years. One wholesaler said demand had dropped 25 per cent a year.

As a tax haven and mountain resort, Andorra has other strings to its bow — banking, leisure and possibly light industry. Its profile as a financial centre, however, has been kept low to avoid trouble with Paris or Madrid, and its potential for filling its 250 hotels with tourists rather than shoppers from Barcelona is limited by the lack of a commercial airport.

Different

Andorra is not the smallest of Europe's small countries, but it is certainly the oddest. "We have arrived at the conclusion that we are completely different from all the others," says Sr Josep Pintat, its head of government.

It is an anomaly not only in being a feudal state, but in having two feudal lords. A 13th-century compromise leaves modern Andorra with two unevenly-matched "co-princes."



It is an anomaly not only in being a feudal state, but in having two feudal lords

One is the President of France, the other a Spanish bishop down the valley in Seo D'urgell.

Later this year, Andorra will pay its ritual tribute of FFr 940 (£79) to M Francois Mitterrand, the "French co-prince." Next year, as in every even year, it will pay Pta 450 (£1.90) to its "episcopal co-prince."

This arrangement — which vests sovereignty not in France and Spain but in two individuals —might be just a quaint historical quirk were it not for the dilemma it creates for Andorra's elected authorities.

The statute of 1278 says nothing about who represents Andorra abroad. Predating the age of nation states, it also predates international relations.

Monaco and San Marino have limits placed on their foreign policy. Andorra does not have a foreign policy. Its Government, frustrated in its desire to obtain the attributes of a modern state, and resisting being treated as an appendage of France, wants to negotiate with the EEC but cannot do so in its own right.

Sr Pintat, who mounted a campaign on the issue and thereby created the only element of consensus in Andorra's peculiar politics, went to see M Mitterrand in July.

Agreement was reached on sending Brussels a tripartite delegation, with Andorra's representative flanked by those of its two guardians.

As to the terms he will seek, Sr Pintat is typically guarded: "Andorra has not defined what it would accept or what it would not accept."

No concrete talks have in fact taken place, but the Andorrans are happier about the prospect of getting a fair deal.

France, Spain and both co-princes have all, at different periods, claimed the right to speak in Andorra's name. It has often been considered that France's engagements covered Andorra. But the bishop, backed by the Spanish Government, has in recent years questioned the French monopoly.

French and Spanish school systems exist side by side in Andorra, as do French and Spanish postal services, with the internal service provided free.

Although they look down on the Spanish, Andorrans are closer to Spain. Geographically, culturally and economically, the valleys face south. The official language is Catalan, and while most of the goods come from France, commerce is geared primarily to Spain. Spaniards form the largest community and Andorra plays in the Spanish football league.

Bothersome

Madrid now favours giving more powers to the Andorrans, a prospect which French officials regard as potentially bothersome.

Pressure for a more modern constitution led to the first separation of powers in Andorra four years ago, with the creation of a head of government.

He is responsible to the 28-member Consell General, a parliamentary body dating from the 15th century which had previously exercised both legislative and executive functions. But only the consell's powers have been separated. Other important powers, such as law and order, remain in the hands of the co-princes.

Reform has since become bogged down. Ultimately, the issue boils down to the role of the co-princes, an institution which Andorrans cherish for having guaranteed their autonomy over the centuries and which they would be reluctant to abandon.

The Andorrans are a canny mountain people, and deeply conservative. Nationality laws —recently liberalised to end discrimination between sexes and between those born before or after 1975—are still strict. Only one in four is an Andorran national. Foreign company ownership, although eased in some sectors, is tightly restricted.

Political parties do not exist and, according to Sr Pintat, may never do "as they are conceived in other countries." Trade unions are outlawed. Strikes are illegal. And civil marriage has yet to be introduced.

Last year, Sr Pintat's predecessor planned to impose taxes on property transactions, banking and company registration in order to give Andorra more financial muscle. He failed to gain the necessary support, resigned and his plan was shelved.

Change may be on its way, but Andorra is in no haste.

Basque groups call general strike in wake of shootings

BY DAVID WHITE IN MADRID

THE extremist Basque party Herri Batasuna and other groups have called a general strike for today in the border province of Guipuzcoa and a day of mourning in other Basque provinces after the murder in Bayonne, south-west France, of four men identified as members of the ETA terrorist organisation.

Protesters cut off roads in the region yesterday as French police tightened border controls.

The shootings, in a Bayonne bar on Wednesday night, brought to 42 the number of violent deaths related to the Spanish Basque conflict so far this year, including 10 attributed to the so-called Anti-terrorist Liberation Groups (Gal) in the French Basque region. A Herri Batasuna spokesman accused the Spanish and French governments of being behind the killings.

Sr Jose Antonio Ardanza, head of the autonomous Basque government, warned afterwards of probable reprisal attacks by ETA. Sr Ardanza, who belongs to the moderate Basque Nationalist Party (PNV), said actions like these would do nothing to help consolidate democracy or solve the terrorist problem.

The Basque branch of Spain's ruling Socialist Party also condemned the killings and said they were "not the way towards peace."

Two men were arrested by French police after the shooting, both alleged to be connected to the Marseille underworld. While Gal's links with the underworld and with former activists of the OAS (Secret Army Organisation), which fought French withdrawal from Algeria, have been firmly established, its relations with Spanish security forces remain a murky question.

The attacks by Gal, which emerged under its present name two years ago, have added to an atmosphere of insecurity among the several hundred Spanish Basques living across the border, ahead of a threatened French crackdown on renewal of their provisional residence papers.

Trade boost for Spain

BY OUR MADRID CORRESPONDENT

SPAIN'S trade performance enjoyed a boost in July, with imports and exports close to equilibrium, according to provisional figures.

The result left the accumulated deficit since January at $3.35bn (£2.4bn), bringing the increase over the same period last year to just over 2 per cent.

The timing of crude oil purchases was the main factor behind a 20 per cent drop in July imports compared with the same month last year. Total imports for the first seven months were 5.3 per cent lower at $16.73bn.

Exports meanwhile were 7.7 per cent up in July but showed little growth in volume, and for the seven months were 7 per cent down in dollar terms at $13.38bn.

There is therefore no sign yet of the foreign sector regaining the locomotive role it played in Spanish economic growth last year. Furthermore, the trade figures show a fall-off in purchases of capital equipment from abroad after an increase earlier in the year, which was seen as a tentative sign of economic revival.

The Spanish Government has already brought down by a full percentage point its initial growth forecasts of 3 and 3.5 per cent for this year and next.

Greek Premier to set up national security council

BY ANDRIANA IERODIACONOU IN ATHENS

GREEK Prime Minister Andreas Papandreou yesterday announced the setting up of a National Security Council, under his chairmanship, to coordinate the operation of the police, intelligence and counter-intelligence services in an attempt to quell a rising tide of rumour and speculation over terrorist and espionage activity in Greece.

The Prime Minister made the announcement after a Cabinet meeting which discussed domestic security in light of the arrest this month of several people on charges of terrorism and spying for the Soviet Union.

One of the arrests caused a furore when it was confirmed that the suspect had worked as an informer for the security services since 1978, tipping off the police on bombs which he himself is now thought to have planted.

The espionage arrests were widely linked in the press to the defection to the U.S. at the end of last May of Mr Sergei Bokhan, First Secretary at the Soviet Embassy in Athens. Mr Bokhan reportedly revealed details of Soviet spying activity in Greece during his de-briefing.

Dr Papandreou said yesterday the Greek Government had asked the American authorities to be allowed to interview the former Soviet diplomat but that the reply so far has been "negative." The U.S. Embassy in Athens had no comment yesterday on the Prime Minister's disclosure.

The Greek Premier also called for an end to "pre-fabricated" press reports linking the Bokhan case with a confirmed delay in the Pentagon's approval of the sale of 40 F-16 jet fighters to Greece. Washington, which says it has become aware of military technology leaks from Greece, wants to sign an agreement guaranteeing the security of military technology against transfer to third countries such as the Soviet Union, before clearing the sale.

Discussions were launched in Athens this week between the Greek Government and a team of Pentagon and U.S. State Department officials, aimed at reaching an agreement on the general security of military information.

Danish Government plans to help shipyards

BY HILARY BARNES IN COPENHAGEN

THE Danish Government is expected to announce shortly measures to help the Danish shipyards, which have not received a single new order so far this year.

Orders have dried up following a decision by the Government last December to abolish a longstanding system which made ships an advantageous tax shelter investment for Denmark's hard-pressed taxpayers.

The Government, however, is not prepared to reintroduce the former system, which enabled investors to write off 90 per cent of their investment over three years against their personal income. As the investor normally had to make a down payment of only about 25 per cent of the total amount of his investment, there was a cash flow benefit arising from a reduction in tax liability.

Instead, the Government plans to extend from 12 to 14 years the maturity of loans given to shipowners through the Danish state ship mortgage institute. The grace period, with no loan repayments, will be raise from two to four years.

There will also be improvements in the terms on which the shipyards can acquire pre-financing for the ships they are building and there will be changes in the rules for collateral against which mortgage loans are made.

A. P. Moller, the Danish shipping company, has just placed an order for four new offshore supply vessels with a Dutch yard.

The company was not prepared to comment on the reasons for the move, but in political circles no one is in doubt that the action was intended to emphasise that Moller regards the measures planned by the Government as inadequate. Moller owns one of Denmark's biggest shipyards itself.

● The Danish Government still intends to ensure that the current balance of payments is brought into equilibrium by 1988, Prime Minister Poul Schlueter said.

Doubts about the Government's commitment to the 1988 target were raised in the Press yesterday following the preliminary trade figures for August. These showed a deficit of DKr 650m (£46.4m) and took the deficit for the year so far to DKr 7.9bn from DKr4.8bn last year.

FINANCIAL TIMES

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurt/Main. © The Financial Times Ltd, 1985.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

W. German opposition calls for spy probe

By Rupert Cornwell in Bonn

WEST GERMANY's opposition Social Democrats yesterday stepped up their campaign against Herr Friedrich Zimmermann, the Interior Minister, by calling for a full-scale parliamentary investigation into the summer wave of spy cases.

The decision to table a motion to set up a special Bundestag committee was taken by the SPD's parliamentary party. Given that the 193 Social Democrat members in the Bundestag constitute far more than the 25 per cent approval required for such a committee to be set up, there is ecant doubt that the motion will be successful when it comes to a vote next Thusday.

Although Herr Zimmermann bas come under fierce fire for his action—or rather the lack of it—over the string nf defections since early August to the East bloc he has shown no sign of acceding to demands for his resignation.

If precedent is anything to go by, the investigating committee, barring sensational disclosures, is unlikely to be any more successful.

However, the SPD's tactical goal is to keep the spotlight on an issue which has done little good to the centre-right coalition for as long as possible in the run-up to the next federal elections, set for early 1987.

Herr Willfried Penner, the deputy SPD parliamentary leader, said last night that the committea's work might continue until the summer break next year.

The intention was for "fully public" bearings, at which nfficials and Herr Zimmermann would be called to testify about wbat Herr Penner called "a spy network unprecedented in the history nf the Federal Republic."

The number of spies—confessed or suspected—who have disappeared since the scandal began is now at least six. Most serious was the defection to East Germany of Herr Hans-Joachim Tiedge, a senior official of the West German counter-esplonage service.

Burt attacks SPD talks on N-free zone

By Leslie Colitt in Berlin

THE NEW U.S. ambassador to West Germany, Mr Richard Burt, yesterday warned that if the Western allies were deprived of their nuclear weapons in Europe it would amount to abaodoning West Berlin and Western Europe to the Soviet Union.

Speaking in West Berlin, Mr Burt directed his fire at "those who would overcome deterrence" by creating nuclear free zones, withdrawing American forces or denying allied forces the ability to counter-attack.

He said that in so doing they "abandoned" West Berlin and "ultimately all of Western Europe in the mercy of the Soviet Union."

Herr Willy Brandt, chairman nf the opposition Social Democrats (SPD), agreed last week with East Germany's leader Herr Erich Honecker to begin negotiations in November on the creation of a zone in Europe free of nuclear weapons.

A senior SPD official said be was dismayed by Mr Burt's views. The official suggested that an ambassador abould "not take sides" in the domestic political debates of his bost country.

He remarked that one of the virtues of the recently retired U.S. envoy to Bonn, Mr Arthur Burns, waa that be had refrained from commenting in public on such issues. Mr Burns be noted had frequently met with Herr Brandt with whom he was on excellent terms altbough they disagreed on a number of political issues.

After taking up this post as Ambassador earlier this month, Mr Burt paid a courtesy call on Herr Brandt last week which the SPD official described as being "diplomatically cordial."

Fabius pressed by Right to quit

BY DAVID HOUSEGO IN PARIS

FRANCE'S right wing opposition yesterdey stepped up demands for the resignation of M Laurent Fabius, the Prime Minister, after bis broadcast on Wednesday blaming M Charles Hernu, the former Defence Minister, for the sinking of the Rainbow Warrior was widely jodged to have been unconvincing.

Within the administration, however, the view was that President Mitterrand would have nothing to gain from switching Prime Ministers only six months in advance of the Parliamentary elections. Nonetheless any further weakening of M Fabius's authority as a result of fresb revelations could transform him into a liability to the Socialists in advance of the election — thus increasing the pressure on M Mitterrand to drop him.

Demands for M Fablns's resignation came not only from the opposition leaders. They were alsn made by three widely dlffering radio and newspaper columnists reflecting the discredit in which the administration bas fallen. M Jean Daniel, editor of the pro-socialist weekly, the Nouvel Observateur, said that M Mitterrand sbould either change his government or call a referendum on an issue relating to France's nuclear deterrent as a way of reinforcing his authority.

The hope within the Government and Socialist party is that the controversy will now begin to abate. If there are no fresh revelations damaging to the Government's version of events, M Mitterrand intends himself to speak on the affair in about ten days. A possible occasiou for this would be the tour of Britanny be is scheduled to make in early October.

Nonetheless the Prime Minister's explanations on Wednesday have still left a series of unanswered questions which could explode in the Government's face at any moment.

The most important of these questions is the role of General Jean Saulnier, the cbief of staff of the armed forces and formerly the chief of the President's military staff, in the Greenpeace operation. General Saulnier was said by the official (Tricot) committee of inquiry to bave given bodgetary approval for the funds needed for the operation. General Saulnier has denied, bowever, any knowledge of plans to blow up the Greenpeace organisation's prolest vessel in Auckland harbour on July 10.

Another area where the Government is vulnerable ia in the allegation that both President Mitterrand and M Fabius knew the substance of the DGSE's involvement as from July 18.

Meanwhile, a French eourt yesterday formally charged five military men with tbreatening national defence by leaking informatioo to the press about the Greenpeace scandal.

The men were identified as Col Joseph Fourrier, Captain Alain Borras, warrant-officer Richard Guillet, master-sergeant Bernard Davier, and Gendarmerie Captain Paul Birril.

Light shed on Russia's industrial spies

BY DAVID BUCHAN

THE LATEST U.S. Government report on Soviet acquisition of militarily useful Western technology sheds light on the top co-ordination in Moscow of illegal information-gatbering, and highlights the problem for Western governments in extending legal controls.

Just as the U.S. report was released last week, the Paris-based Co-ordinating Committee (CoCom) in which Nato countries and Japan set joint export controls on technology sales to the Soviet bloc, acquired a 16th member—Spain.

But, despite this geograpbical extension of CoCom controls that were tightened last year, about 70 per cent of the militarily most useful hardware and documents acquired by the Soviet Union in recent years were "export controlled, embargoed, classified or under some control by Western governments," the U.S. report claimed.

Britain recently dramatised the issue of alleged Soviet military-industrial espionage by expelling 31 Soviet officials in its ninth sucb action since 1981. Such expulsions have generally risen in recent years—1983 was tbe high point when 25 countries expelled 141 Soviet officials for unspecified activities.

A tnp Soviet intelligence official defected to the West in Rome this summer, an American television network said last night, Reuter reports.

Quoting intelligence officials in Washington, NBC News said the defector, Mr Vitail Dzurtchenko, had detailed knowledge of operations by the KGB, the Soviet intelligence agency, in the U.S., Western Europe and Latin America. The State Department had no comment on the report.

The new report updates one done in 1983 by the Central Intelligence Agency, and presumably has the same euthors. But it was released tbis week by the U.S. Defence Department, which bas been the leeding hardline pcoponent of tighter technology export controls both by the U.S. and by CoCom.

The latest study sheds particular light on the activities of Moscow's Military Industrial Commission (VPK by its Russian initials), probably culled in part from revelations in France that led to 43 Soviet officials being expelled from there two years ago.

According to the U.S. report, the VPK translates requests for Western hardware and documents, from the nine defence-related ministries represented on it, into lists of "collection requirements."

It then turns to the KGB and GRU military intelligence to fulfill these "requirements." The U.S. judges the GRU to be the more successful collector of significant material because of its overall scientific orientation and bolder operational style.

Each year, the U.S. study claims, the VPK publishes a report based on individual ministries' assessment of what they bave gained from material collected and sends it to the Prime Minister and the central committee of the Communist Party.

A partiel VPK assessment of gains in aviation from Western technology did appear earlier this year in the French Press, apparently leaked by the Mitterrand Government whicb might bave obtained it about the time it expelled tbe 43 Soviet officials two years ago.

In the late 1970s at least the VPK had an annual 500m rouble budget for special purchases of Western technology, and, so the U.S. study claims, was ready to spend as much on documents as on bardware

Le Pen pulls out of Noumea election

THE FAR-RIGHT National Front witbdrew yesterday from electious in New Caledonia, saying it did not want to split tbe French loyalist vote against Melanesian militants demanding independence for the Pacific territory, Reuter reports from Nourmea.

The withdrawal of the front's candidates from the marginal Centre Region in favour of the better placed neo-Gaullist list was announced at a Noumea rally by the party's national president, M Jean-Marie Le Pen.

Mlle Pen made it clear that the decision was a relnctant one, "taken essentially in the higher interests of France."

He attacked tbe former premier M Jacques Chirac, the neo-Gaullist leader wbo also has campaigned, for refusing to form a joint list of candidates to combat what be ealled the Marxists of the separatist Kanak Socialist National Liberation Fcont (FLNKS).

With two days to go before voting in tbe territory's four regions, the capital was calm yesterday after a nigbt of violence wbeu two bombs exploded and a bakery belonging to a prominent European settler was destroyed by fire. There were no injuries.

The Melanesian eparatist leader M Jean-Marie Tjibaon said France's admission that its agents sank the pcotest ship Rainbow Warrior would belp bis movement's drive for independence.

He told a press conference that the Rainbow Warrior affair was going "to mobilise the countries of the Pacific to support us in the Pacific Ferum and above all et the United Nations."

U.S. threatens to walk out of IAEA over sanctions bid

BY PATRICK BLUM IN VIENNA

THE U.S. is threatening to pull out of the International Atomic Energy Agency if a bard line resolution caling for sanctions against Israel is passed today.

A senior member of the U.S. delegation said yesterday that the U.S. would walk out of the conference, pull out of the agency and withhold its funds to tbe agency, if the resolution proposed by Iraq against Israel is passed. If that were to happen it would be a serious blow to tbe agency.

The U.S. provides 25 per cent of the agency's normal budget of about $100m and of all voluntary contributions which this year are targeted et about $30m.

"If that happened the agency couldn't operate some of its basic programmes," a member of another major Western delegation said.

It would he the U.S.' second walkout from the agency. Three years ego it temporarily withdrew and threatened to pull out permanently if sanctions were applied against Israel following an Israeli attack against an Iraqi nuclear installation in 1981.

Earlier this week the Israeli delegation sought unsuccessfully to diffuse the row by circulating a letter stating that Israel would not attack or threaten to attack nuclear installations used for peaceful purposes.

This, however, failed to convince Iraq and several other Arab states, which have proposed a resolution which calls on Israel to withdraw such threets and the IAEA to withhold agency research contracts to Israel, to discontinue the purchase of equipment and materials from Israel, and to refrain from bolding metings in Israel.

The U.S. says it will oppose the resolution since it would curtail Israel's rights within the agency which, U.S. officials say, undermines the "uoivesality principles" of the organisation.

U.S. officials, however, hope that the resolution will not win the necessary two-thirds majority needed for votes affecting member states' rights and privileges. "We expect it to be e close vote," one U.S. official said yesterday.

Speaking on behalf of the Israeli delegation Mr Uzi Eilam said yesterday he had been asked by his Government to make clear Israel's belief that all states should refrain from attacking nuclear facilities and that Israel "will not attack or threaten to attack any nuclear facilities devoted to peaceful purposes either in the Middle East or anywhere else." This includes Iraq, he said.

Opponents of the Iraqi resolution hope that a milder resolution from a group of Scandinavian countries will draw enough support to ensure the Iraqi resolution's defeat. This accepts the Israeli statement made earlier in the week and calls on Israel to open its nuclear installations to IAEA safety inspections.

A resolution against South Africa poses similar problems for the U.S. delegation since it also involves curtailing South Africa's rights in certain IAEA activities. U.S. delegates here refuse to say how they will respond to the resolution tabled by the group of African states.

This is expected to win mejority support. Delegations from the European Community are seeking to co-ordinate their response and some, including Britain, are said to favour abstaining rather than voting against.

Oman and Moscow to exchange ambassadors

BY PATRICK COCKBURN IN MOSCOW

THE Soviet Union and the Sultanate of Oman are to establish diplomatic relations according to a joint communique issued yesterday in Moscow.

The exchange of ambassadors is a breakthrough for Moscow which bas hitherto bad no embassy in any of the Arab oil states of the western Gulf apart from Kuwait.

It may open the way for Soviet diplomatic relations with other Gulf states such as the United Arab Emirates.

Agreement on the establishment of diplomatic relations between the two countries came doring the visit of Mr Eduard Shevardnadze, the Soviet Foreign Minister, to the UN in New York where be met Mr Yusuf bin al-Alawi, his Omani opposite number.

The Soviet news agency Tass also said yesterday that there has been an exchange of messages between the Soviet leadership and Sultan W Qaboos, the ruler of Oman.

The decision to exchange ambassadora with Oman is all the more significant because, in the past Sultan Qaboos has been among the most anti-Soviet of Arab leaders.

His decision to exchange ambassadors with Moscow is an indication that since 1979 fear of the Iranian revolution and the Ayatollah Khomeini bas largely displaced fear of the Soviet Union in the minds of Arab Gulf leaders.

In Iraq's war with Iran the Soviet Union bas long been Baghdad's main arms supplier and the quipment is partly paid for by large sebsidies in casb and oil allocations from Saudi Arabia and Kuwait.

Relations between Saudi Arabia and Moscow have recently become warmer but the decision by Oman to move before its neighbours gronped in the Gulf Co-ordinating Council (Saudi Arabia, Kuwait, Bahrain, Qatar and United Arab Emirates) is likely to cause some surprise in the Arab world.

In the immediate aftermath of the Iranian revolution in 1979 Oman agreed to the construction of airfields and other facilities by the U.S. for possible use by a rapid deployment force. In return the U.S. promised increased ald.

Soviet trade gap grows

THE Soviet Union recorded n $3.07bn trade deficit with the West in the first half of 1985, with Western economic experts attributing the shortfall to sharply lower eil and gas sales and a weaker dollar, Renter reports.

The deficit, revealed in figures released yesterday by the Foreign Ministry, compared with a $772m surplus in the same period of 1984.

The figures showed the trade deficit narrowed to $918m in tbe second quarter from $2.15bn in the January-March period, with exports rising faster than imports. However, the experts said they had expected a greater improvement.

Moscow'a deficit with tha U.S. in fact rose sharply in the second quarter, nearly donbling to $2.2bn, due almost entirely to record grain sales to make up for poor Seviet harvests.

Gas and oil together account for some 75 per cent of Moscow'a crucial hard currency earnings, but the experts noted that Soviet oil production has been stagnant or declining for over a year as deposits become harder to extract, while gas sales have also dropped this year.

Italian employers, unions discuss wage system

BY JAMES BUXTON IN ROME

ITALY'S EMPLOYERS and trade union leaders yesterday began talks which both they and the Government hope will lead to a major reform of wage indexation and other important changes in employment conditions in the next few weeks.

The talks are the first involving the two sides since February 1984, when the Government made a modest once-and-for-all cut in the workings of the *scala mobile* wage indexation system.

That cut belped bring down inflation but provoked intense opposition from the Communist Party and the Communist wing of the CGIL union. But a referendum on the issue in June saw the Communist point of view convincingly defeated.

Since then relations between Confindustria, the main employers association, and the three unions, CGIL, CISL and UIL, have mellowed, while the unions have themselves reached a common negotiating position.

The employers last Juna pressed the union to start negotiating by giving notice that from next February they will eease altogether to pay wage increases according to the *scala mobile*—unless the mechanism is reformed with their agreement.

The two sides, who have not met without the presence of a Government mediator for eight years, hope to agree on a new formula for the *scola mobile*. They both agree that the *scola mobile* sbould trigger every six months instead of every three months, but differ on ways of reducing tha average coverage it gives egeinst the inflation rate (now a little over 50 per cent) and of giving more scope to wage bargaining and pay differentials.

The unions are pressing for 100 per cent coverage against inflation for the lowest-paid workers, but coverage for other workers that would be less than the present system offers.

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OECD calls for Japan to relax fiscal policies

BY PAUL BETTS IN PARIS

THE Organisation for Economic Co-operation and Development (OECD) has publicly differed with tha Jepanese authorities by urging Japan to relax its tight fiscal policies.

The OECD secretariat suggests in its annual review of the Japanese economy published today that Japan should adopt a more flexible approach to fiscal policy to belp boost domestic demand and redoce the country's heavy reliance on exports—especially the U.S.—for growth.

Bnt in an unusual footnote in the conclusions of the report, the OECD says that its views are "not fully shared" by the Japanese anthorities. Although opinions are divided in the Japanese Government on the issue, the Finance Ministry in particular wants to maintain tight fiscal policies.

The Paris-based agency arguea that Japan's growth has been beavily dependent on exports and that the country's reliance on the U.S. market bas left it vulnerabie to any softening in U.S. domestic demand. The OECD also says domestic forces for growth bave been weak and that contrary to most forecasts private consumption has remained sluggish.

In this respect, the OECD appears to differ with the eppraisal of the Japanese economy in the joint statement issued by the Group of Five finance ministers last Sunday after their meeting in New York to force the U.S. dollar down. The Group of Five report states that the Japanese economy is now in an expansionary phase sustained in large measure by the recovery in domestic demand. But the OECD suggests for its part that there is so far little evidence of this and that the economy continues to be beavily dependent on exports.

The OECD ia worried that if Jepan sticks strictly to its tough fiscal stand irrespective of broader economic trends it could increase excess savings, depress activity and pnt renewed upward pressure on the balance of payments current account. This is already expected to rise from $35bn last year to $39hn this year and to $49bn next year.

The Paris agency also calls on Japan to play a leading role in promoting open and multilateral trade by taking additional measures to increase foreign access onto the Japanese market. It argues that "a significant reduction of agricultural protection should therefore he an essential ingredient of any convincing liberalisation package."

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Dollar intervention policy 'could run indefinitely'

BY JUREK MARTIN IN TOKYO

BANK of Japan officials said yesterday that the new policy of co-ordinated central bank intervention to lower the value of the dollar, agreed at last week-end'a finance summit in New York, could run indefinitely.

However, they believe that it was only "natural" that finance ministers and central bank governors should review its progress wben they meet in Seoul next monh tfor the annual meetings of the International Monetary Fund and the World Bank.

One top official agreed that a possible important test of the new approach would occur if U.S. interest rates began to rise. He said that a lower dollar might itself exert upwards pressure on U.S. rates and that the Federal Reserve's monetary aggregates had recently been well above their targts.

"Our expectation and hope," he said, "is that the Fed will keep its present stance for as long as possible."

The senior official was also careful to warn that the so-called "j" effect of a higher yen could bring about still larger Japanese balance of payments surpluses in the near term.

But be felt that the New York agreement should have laid to rest speculation that Japan would be forced to control long-term capital ontflows as a way of strengthening the yen. Recently Mr Yasuhiro Nakasone, the Prime Minister, had expressed interest in such an approacb.

The official did not foresee any changes in Japanese monetary policy, which bas been fairly loose, except in the sense that "more emphasis will be given to the appreciation of the yen."

This may be taken as hinting at the unlikelihood of any reduction in the Japanese discount rate, now at 5 per cent. He added that interest rate differentials with the U.S. were alrady large enough . . .

Oil spot prices increase after Kharg Island raids

BY RICHARD JOHNS

OIL PRICES strengthened again yesterday on the spot market, amid continuing uncertainty as it became clearer that Iraqi air raids on Kharg Island have indefinitely balted supplies of Iranian crude from the terminal.

Arabian Light crude, the main Gulf variety, was traded yesterday at $27.85—only 15 cents below the $28 per barrel official selling rate.

Reports from Tokyo said that Japanese refiners have requested Iran to declare *force majeure* on contracts because of delays in availability of oil at the transhipment terminal at Sirri Island in the lower Gulf wbere four of them have vessels waiting to load. The National Iranian Oil Company bas warned Idemitsu and Showa of delays of up to 10 days, even though there are ahout 12m barrels ln floating storage at Sirri Island.

The lest shipments of oll from Kharg Island, which accounts for nearly 90 per cent of permitted exports under the Organisation of Petroleum Exporting Countries' output and pricing pact, were made on September 19 before the most effective Iraqi attack since the campaign against the terminal started on August 15.

Declaration of *force majeure* by NIOC would allow Japanese customers to switch to other Gulf suppliers and could help Iraq clinch deals with them. It is understood that negotiations wlth them on purchases of oil delivered to Yanbn on the Red Sea coast through the new pipeline system from southern Iraq across the Arablan peninsula have not yet been conclnded.

The shipment through the new Iraqi export route is scheduled for this week wben a vessel will load oil on behalf of Petrobras of Brazil.

Another hombing raid on Iran's economic life-line was mounted hy the Iraqi Air Force yesterday, according to e military spokesman in Baghdad.

It was the third attack ln as many days and the 13th in the last six weeks. The spokesman said that it had heen launched to "keep the fire blazing in Kharg Island targets that had been attacked by our Eagles (aircraft) earlier."

Developing countries urged to exploit new technologies

BY DAVID FISHLOCK, SCIENCE EDITOR

DEVELOPING nations are urged to exploit the benefits of the emerging technologies sucb as hiotechnology and information technology, in a report commissioned by the Commonwealth Secretariat in London.

Introducing the study, Mr Sonny Ramphal, Commonwealth Secretary-General, says there is no reason why technology should not continue to be a major source of higber living standards and of increased employment.

It must not be allowed to become a scapegoat for fallures of economic policy which have led to high unemployment, he says.

Mr Ramphal says the report provides "abundant evidence that wbere technology is directed, end adapted, to meet the needs of low-nicome groups, it can be a powerful force for good, especially in agriculture end rural development, where in many forms it could be even directly employment-generating."

The report was prepared by an expert group headed by Prof M. G. K. Menon, the Indian Government's chief scientific adviser.

It also recognises the major role in these technologies of private entrepreneurs and the importance of creating e climate for taking risks. It stresses the tteed for sources of venture capital, for tax incentives whicb "encourage risk taking and investment without inducing a labour-saving bias," and for subsidies to encourage the adoption of improved methods.

Technological change: enhancing the benefits. Published by the Commonwealth Secretariat, Marlborough House, Pall Mall, London, SW1Y 5HX. Two volnmes. £8.00.

King Hussein

THE MIDEAST

Last chance for the last chance of peace

By Rami Khouri in Amman

IN THE seven months since the signing of the February 11 accord on a joint Jordanian-Palestinian strategy to negotiate Arab-Israeli peace, Jordan's King Hussein has incessantly declared that this represents the last chanca for a Middle East peace. If he is correct, the King's talks in Washington on Monday with President Reagan could be billed as the last chance for the last chance.

King Hussein and his embarrasingly taciturn supporters throughout the Arab world pin high bopes on the King's private talks with Mr Reagan. Similar expectations during last May's Hussein-Reagan talks in Washington were largely unfounded: political and economic aid for Jordan, but not a more substantive or balanced American involvement in Arab-Israeli peace-making. Since early August, the "moderate" Arab camp spearheaded by King Hussein and Mr Yasser Arafat, the PLO leader, has received two rude shocks.

First, the Casablanca Arab summit in August failed to ettract the full complement of Arab states, and made only polite and non-commital reference to the Jordan-PLO accord.

Then, a week later, Mr Richard Murphy, the U.S. Assistant Secretary of State, toured the area but failed to meet with a joint Jordanian-Palestinian delegation to explore the prospects of a negotiated Arab-Israeli peace.

Disappointed

Both Jordan and the PLO were disappointed, though not tolally surprised, by an American diplomatic posture that was seen virtually to coincide with Israel's. The lack of movement by the Americans or Israelis reinforced pnblic Arab scepticism about Washington's ahility to mediate peace based on the twin rights of secure and recognised Israeli statehood, and Palestinian self-determination—even in the watered down version of tbe latter within a Jordanian-Palestinian confederation.

Hussein will try to convince Mr Reagan—as be did in May, and as Egyptian President Hosni Mubarak did earlier this week—to initiate a U.S.-Jordan-Palestinian dialogue as the first step towards a tegotiated Arab-Israeli peace. This time around, however, the diplomatic landscape has become more complex, if not contradictory.

Since the King strongly criticised Washington in press interviews 18 months ago for its pro-Israeli bias, Jordan has worked at strengthening relations with the U.S.

Simultaneously, though, Jordan has started talks with Syria aimed at restoring normal ties and nroducing a political reconciliation that once again could redraw Arab political alignments. However, to be of any real value this would have to be followed by Syria-PLO and Syria-Iraq reconciliations.

Signal

The talks with Syria may signal to Washington that its cold feet on the diplomatic front would drive Jordan closer to Damascus. Less Machiavellian is Jordan's recognition that its ultimate well-being rests more with friendly ties with Arab powers such as Syria, Iraq and Saodi Arabia, than with intimate security links with Washington. The fate of the Shah is still fresh in memories here.

King Hussein bopes his personal rapport with Mr Reagan may counter pro-Israeli sentiment in Congress. He is buoyed by tha decision of Britain's Mrs Margaret Thatcher last week to receive a joint Jordan-PLO delegation in London

King Hussein walks a fine line between his need to turn to the West for badly needed arms and money, and his suspicion—grounded in 33 years on the throne—that Arab peace moves are virtually impossible in the prevailing climate of Inter-Arab discord.

He is caught uncomfortably in e four-way tug of war between his ideological inclinations towards the West, tha need for Western arms and cash to offset dwindling Arab aid, the belief that Mr Arafat's PLO is finally inclined to negotiate peace with Israel, and the ultimate reality that his is an Arab country that can only hope to survive and flourish on the strength of support from the Arab hinterland.

LEUTWILER AND STALS: CHARGED WITH SORTING OUT SOUTH AFRICAN DEBT

A match for the most hardened dealers

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

SOUTH AFRICA's decision to appoint Dr Fritz Leutwiler as mediator in its rescheduling negotiations with commercial banks puts an end to the sense of drift that has enveloped its debt problem since a payments moratorium was declared on September 1.

The Government in Pretoria "didn't have the faintest idea" bow to organise a rescheduling one leading bank creditor said yesterday. The unique political background to its problems also meant that until now no one had emerged wbo was willing publicly to take the lead in sorting out the country's payments mess.

The result so far has been a commonications failure that has left many bank creditors floundering in ignorance over South Africa's precise intentions. Executives of U.S. regional banks in particular have been unahle to explain to their chairmen and credit committees what was going on, and fears have been growing that one or more could muddy the water by taking legal action against Pretoria.

Mosl hankers agree that the arrival of Dr Leutwiler should now put an end to all this. The 61-year-old former central banker and chairman of the Swiss engineering concern Brown Boveri bas long enjoyed a reputation as one of the ablest and toughest figures on the international monetary scene.

As president of the Swiss National Bank dnring tha recurrent dollar crises of the 1970s be demonstrated rare qualities in a central banker of being a match for even the most hardened and cynical dealers in the foreign exchange market. More recently as president of the

Dr Fritz Leutwiler

Bank for International Settlements until the end of last year he became closely involved with the debt problems of many developing countries including notably Mexico and Brazil.

Even after the appointment was formally announced yesterday, bowever, considerable confusion still reigned ahont the exact role Dr Leutwiler would play. So poor has South Africa's communication with its creditors been to date that one UK bank with extensive lnleresls in South Africa was uncertain wbether or not it had been formally included in the group of 29 banks that is said to have sanctioned Pretoria's appointment.

His first and most pressing task will, therefore, be to clear the air and estahllsh proper communications cbannels hetween South Africa and ils creditors. With the International Monetary Fund annual meeting now looming in Seoul this will have to wait at least until the mlddle of October, however, when banks are likely to be summoned to a meeting in London. Only later will it be possible to begin the laborious process of negotiating the rescheduling itself.

No one pretends that this will be easy, particularly for a Swiss negotiator in the atmosphere of recrimination that persists after U.S. banks precipitated the crisis by pulling short-term credit out of South Africa.

Dr Leutwiler is thought to be receiving an exceptionally large fee for taking on his new role. Yesterday he carefully refrained from any commenl, but associates were quick to suggest tbat money was not the point. "He simply likes difficult tasks," said one laconically when asked why the new job bad so much appeal.

PRETORIA'S OPTIMISTIC GOLD EXPERT

Valuable experience for the coming months

BY ANTHONY ROBINSON IN JOHANNESBURG

IT WAS with a sense of relief that Dr Chris Stals, director general of finance and chairman of the recently formed Standstill Co-ordinating Committee (SCC) learnt that Dr Fritz Leutwiler had agreed to become e collaborator in the difficult negotiations with foreign creditors that lie ahead.

Tbe two men have known each other professionally for 17 years, ever since Dr Stals first represented the Reserve Bank at BIS meetings in Basle.

Their next meeting will take place shortly in Switzerland where their first priority will be to try to organise a meeting with major creditor banks before the end of October. They will also have to set up a viable channel of communication with the large number of less exposed banks.

Like his Swiss counterpart, Dr Stals is a central banker by training and disposition. A solid, gravelly-voiced Afrikaner, son of a sheep farmer from the Transvaal Highveld, he joined the Reserve Bank as a clerk 30 years ago and rose rapidly to hecome senior deputy governor. On his way be picked up a string of academic qualifications. Ironically his doctoral thesis was on international liquidity problems.

For the last three weeks the offices of the seven-man band of experts who form the SCC on the 13th floor of the Boland Bank building in downtown Pretoria have been ablaze with light far into the night, asking and fielding qnestions from bankers around the world.

This is not an entirely new experience for Dr Stals wbo spent most of the last decade overseeing the Reserve Bank's foreign operations. An expert on gold be developed tbe Reserve Bank's expertise in the field of gold swaps, negotiated the 1969 gold agreement with the IMF and helped to set np the rand monetary agreement with Lesotho, Swaziland and originally Botswana.

A regular participant in IMF/World Bank meetings for the last 15 years, Dr Stals also helped arrange the Reserve Bank's foreign borrowing programme and recently calculated that be spent at least 50 per cent of his time in Pretoria talking to foreign visitors. 1l could prove a valuable investment over the coming months as the search for an agreed repayment schedule with foreign creditors intensifies.

Much to the surprise of some people, Dr Slals ceased being a central banker on September 1 when he moved over to the Treasury to become director general of finance. In practice be bas yet to take up the Treasury job because of the intervening debt crisis and his appointment as chairmao of the SCC which will occupy him full time until a settlement is reached.

The fate of the standstill hinges on the reaction of creditor banks at the planned eod-October meeting. "I am optimistic that whatever happens we'll be able to announce certain changes by the end of tbe year. It may be naive to think we can end all restrictions hut at least we should be ahle to lift some, make the system more flexible and move towards e phasing out operation," he told the FT yesterday.

Dr Chris Stals

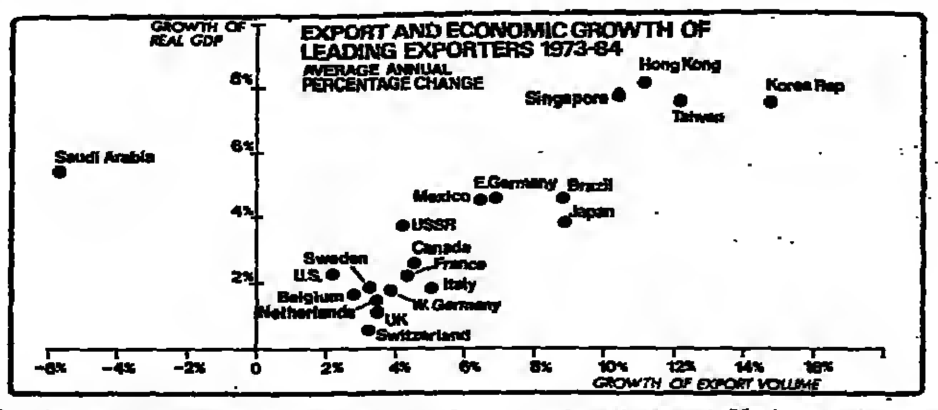
William Dullforce looks at Gatt's international trade report

Fear of slowdown in world economy

A FASTER deceleration than expected in the pace of recovery this year could signal that the world economy is in danger of slipping back into the anaemic performance of the post-1973 period.

This is one theme of the international trade report for 1984-85 published yesterday by the Secretariat of the General Agreement on Tariffs and Trade (Gatt).

It goes on to describe how market-sharing arrangements, such as those applied to Third World textiles, Japanese automobiles and consumer electronics, are encumbering the international trading system.



The report also spells out the case for a new round of multilateral trade negotiations to purge the clogged system and add an anti-inflationary trade contribution to the monetary and fiscal policies being mobilised in an attempt to sustain economic recovery.

The 9 per cent growth in the volume of world trade in 1984 was the best performance in eight years. The dollar value of trade climbed by 6 per cent even though in face of the appreciating dollar export prices expressed in dollars declined.

A slowdown in the growth rate had been forecast this year but Gatt's latest information suggests that the brake has been applied more sharply than expected.

Preliminary estimates indicate that the volume of world trade in the first six months was about 3 per cent above that for the first part of 1984.

Growth during the first half in the U.S. and in some South-East Asian countries was well below expectations. The value and volume of exports and imports by the Opec countries fell steeply.

Commodity prices, apart from oil, have declined more than enticipated, reducing the import capacity of many producers of primary goods.

Gatt accordingly now puts the likely rise in the volume of world trade in 1985 at less than 4 per cent compared with forecasts published earlier this year of 5 per cent to 5.5 per cent.

The report gives a nod of recognition to tha new policy perceptions among governments which became evident at the beginning of the 1980s and which bave kept down inflation rates.

But, instancing the excessive budget deficits run by some countries, especially the U.S., it sees a large gap between perceptions and actual policies.

It also finds a deterioration in trade policies "almost everywhere." While the greater part of world trade continues to take place under Gatt rules and disciplines, countries are taking more measures which contravene their commitments under the Gatt.

The trend is most evident in the spread of agreements which aim et restricting competition by sharing markets.

The evils of this "managed trade" are detailed. For meny agricultural products, market sharing has reduced the open world market to a "residual segment subject to violent fluctuations."

Because it insulates an industry from competitive pressures, market sharing increases the degree of restraint required to curb infletion and thus the amount of transitional unemployment.

It is illogical for governments moving towards allowing market mechanisms e greater role to undermine their own efforts by increasing restrictions on international exchanges, Gatt argues.

A new round of trade negotiations aiming at opening np markets and re-establishing the authority of Gett rules would be particularly timely in Gatt's view.

It would heve an immediately beneficial effect on business expectations and the investment climate by indicating clearly the direction governments intended to follow in trade policy.

It would offer a signficant medium-term stimulus to production and employment in the world economy, and would be anti-inflationary.

The report's comparison of the changes between 1973 and 1984 in countries' shares of the world market illustrates the remarkable advances made by some developing countries.

While the leading five—the U.S., West Germany, Jepan, France and Britain—retained their places in the exports table, six new countries—South Korea, China, Hong Kong, Taiwan, Mexico and Singapore—had reeched the top 20 in 1984.

The displaced Australia, Poland, Denmark, Iran, Czechoslovakia and East Germany. All, except Mexico, appear on the "Top 20" importers' list in 1984.

The distinction between developing and developed countries among leading exporters of manufactures is becoming blurred. By 1984 Taiwan and South Korea, for instance, had overtaken Switzerland and Sweden.

In contrast Africa's performance is worrying. Export earnings, excluding those of South Africa, peaked at $94bn in 1980.

Despite a 3 per cent recovery last year, the level was still ebout one-third below tha 1980 peak. In 1983, the exports and imports of the Netherlands were roughly the same as those of the whole African continent, excluding South Africa.

For the first tima last year, trans-Pacific trade (exports and imports between all the Americas on the one hand and Japan and 12 other Pacific countries on the other) surpassed in value that of trans-Atlantic trade (between Western Europe and Africa and the Americas).

Changes in the product composition of world trade in the decade to 1983 (see table) reflect the dominance of oil and petroleum products and the relative decline of such traditional trading goods as steel, textiles, wood products, cereals and other farm produce.

BAe starts fight for U.S. Army contract

By Lynton McLain

BRITISH AEROSPACE (BAe) has started talks in Washington with the Norden Chemical Systems company of United Technologies in the U.S. on a campaign to try to win a contract worth a possible £2bn to replace the U.S. army's divisional anti-aircraft defence radar-controlled gun.

BAe wants to sell the U.S. its Rapier missile system to replace the gun.

The Pentagon cancelled the Divad "Sergeant York" anti-aircraft defence gun after technical problems. British Aerospace is already in partnership with Norden Chemical Systems which produces the Rapier missile for the defence of U.S. Air Forces bases in the UK.

The UK group wants to sell the tracked version of the Rapier missile system to the U.S. Army. The tracked vehicle is already made by FMC, a U.S. company, and BAe is prepared to increase the U.S.-made content of the tracked Rapier missile system in order to win the contract.

● British Aerospace has completed industrial offsets for half the value of the £200m purchase of BAe Rapier ground-to-air missiles by Switzerland two years earlier than required.

The Swiss contract, the biggest single export contract for the BAe Rapier, was signed in December 1980. To date the Rapier missile system has earned BAe more than £1bn in contracts from exports and sales to the UK armed forces.

BAe agreed to provide industrial offsets for at least 50 per cent of the total value of the Swiss contract by the eod of 1987 at the latest.

The production of the Rapier missile itself was worth SwFr 144m.

Citroen, Indian engineering group set for £70m deal

BY JOHN ELLIOTT IN NEW DELHI

THE Indian Government may soon approve a technical collaboration signed by Citroen the French company with Escorts, a major New Delhi-based engineering manufacturer.

The future of the £70m project depends on Escorts being able to cash in on growing Indian disillusionment over collaborations with Japanese automotive manufacturers and successfuly argue that the Citroen 2CV is not old technology but a modern car easily manufactured and maintained.

The Government does not want to issue any fresh licences to produce cars, but may be persuaded to allow the Citroen project to go ahead because Escorts is guaranteeing that 55 per cent of the car will be Indian-made from the start. This would rise to 90 per cent within three years.

Such figures contrast sharply with Indian production of under 30 per cent for Japanese cars, light commercial vehicles and two-wheelers which are being produced in a series of collaborations with almost every major antomotive company in Japan.

Maruti, an Indian Government-owned company producing Suzuki cars, is having problems indigenising its production to its Japanese partner's satisfaction and component manufacturers are facing problems with their Japanese collaborators.

The Indian Government recently liberalised its industrial licensing procedures by saying that any producer of four-wheel vehicles could diversify into similer products. For example, from lorries to cars.

But the Government is now worried about the possible outflow of foreign exchange on car collaborations and is holding up approval for Telco, part of the large Tate group, to produce Honda cars and for Premier Automobiles to develop cars witb Nissan, as well as the Escorts project.

Escorts has applied for a licence to produce 100,000 cars a year and under the deal, would sell 7,000-10,000 completed or knocked-down cars back to Citroen a year plus spares, once the French company stops its own production.

Mr Hari Nanda, founder and chairman of Escorts, estimates that exports would cover the foreign exchange costs of setting up the project within seven years.

Escorts consists of a number of companies with a turnover of some £330m based on excevetor, crane and motorcycle technical collaborations with companies such as Ford, JCB and Ransome and Rapier of the UK, and Yamaba of Japan.

Libya 'owes up to $4bn to foreign contractors'

BY TONY WALKER, RECENTLY IN TRIPOLI

LIBYA OWES up to $4bn (£2.8bn) to foreign contractors, according to unofficial estimates in Tripoli. By far the biggest amount—$1bn—is owed to Italian business groups.

The slump in the world oil market and an over-ambitious development programme have contributed to Libya's financial troubles. In the early 1980s, Libyan oil revenues totalled more than $20bn.

Earnings this year are expected to be around $9bn. Other large creditors include Turkey ($400-$500m); South Korea ($400m); West Germany ($300m); Japan ($250m); France ($120m); Spain ($100m); Greece ($40m).

Some Western businessmen have been waiting more than six years for money owed and are pessimistic about their chances of recouping losses.

One businessman, whose company is owed about $16m for construction work in the 1970s, said his visits to Tripoli followed a familiar pattern, as he shuffled between ministries, none of which had authority to clear payments.

"The procedures are so slow and difficult in so many cases, especially when they have an interest in slowing down payments," said a West European trade official, whose country is owed hundreds of millions of dollars.

A number of creditors are taking payments in oil, although agreement often proves difficult because of wrangling over price. Prices available on the stock market are lower than those Libya insists on using as the benchmark for clearing its debts.

An oil-for-debt arrangement, signed with Italy in July 1984, bas broken down. According to an Italian trade official, disagreements arose over Libya's demands that it be allowed to settle some of the arrears in gas.

Libya's foreign exchange reserves were officially $3.5bn in May. Unofficial estimates range down to $500m. Reserves reached a peak of more than $13bn in 1980.

Tripoli has been forced by its cash squeeze to retrench its infrastructure programme. In February, dozens of projects, some for roads and railways, were cancelled as part of the austerity drive.

Major projects, such as the Ras Lanouf petrochemical complex, are being scaled down. Col Gaddafi's grandiose "great man-made river" (GMR) project is absorbing much of Libya's scarce resources.

Work is proceeding on the project's first stage, costing over $3bn. The contractor, Dong Ah, of South Korea, is understood to have accepted oil in part payment.

All credit agencies of Western governments are adopting a conservative approach to business with Libya. At least one, SACE of Italy, has suspended cover.

Western officials note that, while arrears on Libya's payments to creditors totals between $8bn and $9bn (including $4bn-$5bn to the Soviet Union in military debt), its "structured" debt is relatively small — perhaps less than $1bn.

Zambian creditors in bid to clear debts

By Christian Tyler, Trade Editor

A SMALL "club" of Zambia's trade and other uninsured creditors has been put together to try to unblock a payments pipeline extending back to 1979 and very roughly estimated at $300m (£214m).

A nucleus of some 20 companies, said to include household names and which is collectively owed $30m, has been formed by Lazard Brothers merchant bank in London, New York and Paris.

Formation of the club is regarded as unnecessary, if not actually opposed, by the Zambian Government's financial advisers; Morgan Grenfell and Peat, Marwick. A banker said yesterday: "There is very little point for any creditor to join because Zambia is not going in for a confrontation."

Creditors outside the club would be well treated as those within it, be said.

Morgan Grenfell, which is collecting information on the total arrears, would not make any estimate of the amount owed to uninsured creditors. It said part of its remit was to act as conduit between the Zambian authorities and the creditors.

Settlement terms have not been discussed, but a variety of solutions is likely to emerge for these uninsured creditors, Mr Peter Godwin, a director of Lazards in London, said yesterday.

Foreign exchange shortages have blocked payment of trade debts, dividends and other remittances to creditors whose number is not yet known. A large proportion of the overdue payments is thought to arise from intra-company transactions.

The Lazards initiative has been discussed with Zambia's senior financial officials, Mr Luke Mwananshiku, Finance Minister, and Mr David Phiri, governor of the central bank. The club has however no official status, according to Zambia's advisers.

It is agreed by both sides, however, that different solutions will be needed for companies that have a long-term interest in the country and for those who simply want to collect their money and leave tha market.

Fokker receives Fl 58m jet order from Austria

BY LAURA RAUN IN AMSTERDAM

FOKKER, the Dutch aerospace company, bas received an FL58m (£13m) order for two Fokker-50 prop-jets and an option for two more from Austrian Airlines, the country's national carrier.

The order is another boost for Fokker's new 50-seat short-haul craft and raises total sales to 38 plus 12 options.

The Dutch aircraft maker claims to be the world's leader in the 50-seat market with the Fokker-50 and its predecessor, the F-27. A prototype of the Fokker-50, which was unveiled in late 1983, will make its maiden flight before the end of this year.

Austrian Airlines will take delivery of its 48-passenger version in 1987 for use on domestic routes. Fokker said the Austrian carrier chose the Dutch aircraft over six others believed to include the British Aerospace ATP and the Aerospatiale ATR-42.

Howe challenge to Moscow on arms control

BY REGINALD DALE IN NEW YORK

MOSCOW should "put its money where its mouth is" and produce concrete arms control proposals for negotiation with the U.S., Sir Geoffrey Howe, the British Foreign Secretary, said at the UN yesterday.

The "Star Peace" proposals for the non-military use of outer space, announced with great fanfare by Mr Eduard Shevardnadze, the Soviet Foreign Minister, on Tuesday, were "fine as a slogan," but brought real arms control no nearer, Sir Geoffrey told a Press conference.

If Moscow did not spell out its position, it would dash the high expectations for November's Geneva summit between President Ronald Reagan and Mr Mikhail Gorbachev, the Soviet leader, he said. He hoped that the summit would make a specific commitment to progress on arms control "in a sensible time-scale."

Speaking of his own meeting with Mr Shevardnadze here on Monday, Sir Geoffrey said that it was not reasonable to expect "business as usual" between Britain and the Soviet Union to resume immediately after the recent spying charges and mutual expulsions from London and Moscow.

The UK wanted to draw a line under the affair and ensure that there was as little interruption as possible in efforts to improve relations between the two countries.

Sir Geoffrey spoke as U.S. officials said that they were still awaiting a formal communication from Moscow of new arms control proposals, reportedly involving a 40 per cent suggested cut in the super powers' strategic offensive nuclear arsenals.

UN
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Washington believes that Mr Shevardnadze may reveal details of such a proposal when he meets Mr Reagan at the White House in Washington today. A preliminary meeting between Mr Shevardnadze and Mr George Shultz, the U.S. Secretary of State, in New York on Wednesday produced good atmospherics, but no concrete Soviet proposals, U.S. officials said.

After the four-hour meeting betwen the two men at the Soviet mission to the UN, the American side said that a good start had been made on preparing for the Geneva summit. It was too early, however, to tell whether any significant breakthrough could be made at the summit, they said.

The Soviet Foreign Minister had nevertheless shown himself willing to try to clear up misconceptions in a calm and conversational manner, rather than engaging in high decibel polemics like his predecessor, Mr Andrei Gromyko.

Attack on Pastora 'CIA plan'

By Tim Coone in Managua

THE U.S. Central Intelligence Agency (CIA) was involved in a bomb blast in Costa Rica last year aimed at eliminating the Nicaraguan counter-revolutionary leader Sr Eden Pastora, according to two journalists who have investigated the incident.

Sr Pastora was injured in the blast, which also killed one U.S. journalist and two Costa Ricans and wounded 18 others including the British journalist Ms Susan Morgan of the Economist.

The two U.S. journalists, Mr Tony Avirgan who was also injured in the blast and Ms Martha Honey, have been investigating the bombing for over a year, and made public their findings yesterday.

They claimed that they had uncovered a plot that involved officials of the CIA, the counter-revolutionary organisation the FDN, high level officials in the Costa Rican security services and Cuban exiles living in the U.S.

Shortly before the bomb blast, the journalists said, Sr Eden Pastora had refused to unite his Costa Rican-based guerrilla organisation, Arde, with the principal U.S.-backed organisation, the FDN, based in Honduras, despite pressure from the U.S. to do so.

The journalists said this was the motivation behind the assassination attempt, which was to have been blamed on the Sandinista Government

Jimmy Burns in Buenos Aires examines the film industry since democratic rule returned

Renaissance in the Argentine cinema

MRS MARGARET THATCHER, the British Prime Minister, and Sr Raul Alfonsin, the Argentine President, may still be at loggerheads over the Falkland Islands, but a small bridge is being built between the two countries by the film industry.

Today, the Argentine film Camila opens in London, a week after the first screening of The Official Version. The West End showings are the first reciprocal gesture by the Argentines since the Falklands War – such British films as Chariots of Fire, Gandhi and The Killing Fields have been shown in Argentina.

No one is more delighted by the new development than Sr Manuel Antin, head of the Argentine Cinematographic Institute, who plays a central role in the local film industry.

"If the Argentine cinema has undergone a renaissance it is because the Government is giving it its full support. Our films are telling the outside world how we have changed thanks to democracy," Sr Antin says.

Both The Official Version and Camila belong to a stable of films released in Argentina since the return of democratic rule in December 1983. Sr Antin likes to compare the period to the "effervescent outpourings of an uncorked bottle of bubbly."

The Argentine cinema, like most sectors of society, was repressed following the 1976 military coup.

Black lists of "politically suspect" film directors such as Sr Antin were drawn up, actors and actresses, including the stars of The Official Version, went into exile to escape rather than join the ranks of the "disappeared."

The traditionally cinema-loving Argentine public was subjected to a menu of home-spun farce and detective movies and heavily censored foreign imports.

During the seven-year military regime, the Cinematographic Institute was rendered ineffectual due to a lack of political support and funds.

The Government abolished the institute's main source of income – a 10 per cent tax on box office takings – and it made all financial decisions concerning the film industry subject to the approval of a culturally unenthusiastic Economy Ministry.

Since the return of democracy, the institute has recovered some of its former standing as an autonomous, self-financing entity attached to a revamped Secretariat of Culture.

Sr Antin, a member of the ruling Radical Party, has tried to stir a cautious middle course between excessive political interference and a laissez-faire policy, with varying degrees of success.

One of the most outspoken critics of today's film industry has been Sr Luis Puenzo, director of The Official Version.

In a recent interview, published in the daily La Razon, he said the Government was not discriminating enough in its subsidies policy. Nor was it adequately ensuring the access of "serious" Argentine films to the more important local distribution circuits.

He and other directors believe that greater state involvement rather than less is what ensures creativity, so long as bureaucracy is streamlined.

The fact that directors such as Sr Puenzo have managed to bring out their films is in some measure due to the institute's ability to stir creative talent from the cocoon of censorship and fear.

The Official Version was allowed to be made with a budget of $500,00 which, although small by international standards, is double the overage spent in local productions.

Compared with the 10 or so Argentine films that were produced annually during the military regime, Sr Antin has fostered already nearly 50 new productions and 15 new directors.

Compared with the standards of Europe or the U.S., the ratio of failures to success in financial terms (only 20 per cent of Argentine films break even) is poor.

However, the figures need to be put in context. Argentina has only recently emerged from years of political totalitarianism and until recently suffered unprecedented hyperinflation.

The country's economic crisis, which is only now showing signs of being solved, made costs of production impossible to evaluate with any certainty and undermined box office receipts.

This was accompanied by one of the most rigid trade union structures governing film production anywhere in the world. Rules include a minimum crew of 28 and overtime bonuses are high.

In recent films, directors have generally aimed for a quality mix of personal artistic vision and social/political comment. Their products have appealed not just to the more intellectually discerning sector of the Argentine public but also to the outside world.

For her part in The Official Version, Sra Norma Aleandro won the best actress award at this year's Cannes film festival; Camila, directed by the feminist Sra Maria-Luisa Bemberg, only narrowly failed to win the award for the best foreign film.

Both Sr Puenzo and Sra Bemberg share courage in the treatment of subjects which until recently were taboo. The Official Version looks at the "disappeared" through the eyes of a conscience-struck teacher, movingly acted by Sra Aleandro, who painfully discovers that her adopted daughter may be the child of one of the victims.

Camila looks at the illicit relationship between a woman and a priest in the last century to attack the hypocrisy of church and state in a repressive society.

Sra Sus Pecoraro, the leading actress in Camila, also appears however in Tacos Altos (High Heels), a poorly scripted and clumsily directed film about prostitution in Buenos Aires. It is filled with gratuitous sex and violence and lacks substance.

That Tacos Altos is proving as great a box office hit as Camila and The Official Version hints at the kind of challenge men like Sr Antin face.

As the excitement of democracy wears off, it will become increasingly difficult to ensure that entertainment remains an art form. The new Argentine cinema may have been born but it has a long way to go before it reaches adulthood.

The Arts, Pages 16, 17

Mulroney under pressure as second minister quits

BY BERNARD SIMON IN TORONTO

CANADA'S one year-old Progressive Conservative Government, already struggling to maintain control over political events, has been shaken by the second resignation of a Cabinet minister in three days.

Mr Marcel Masse, Communications Minister, widely regarded as the most influential Francophone member of Prime Minister Brian Mulroney's Cabinet, resigned suddenly pending the outcome of police investigations into campaign spending in his Quebec constituency prior to last September's general election.

Last Monday, Mr John Fraser, the Fisheries Minister, stepped down, having provoked an outcry by deciding to release 1m cans of rancid tuna for public consumption against the advice of Government food inspectors.

The two ministers' departure comes on the heels of a row over official handling of Canada's first bank failure in 62 years. The authorities closed Canadian Commercial Bank of Edmonton earlier this month after failing to maintain the bank's viability with a C$255m (£115.9m) rescue package organised last March.

The decision to bail out the bank is now widely seen as a mistake, and its subsequent collapse has exposed numerous shortcomings in the supervision of Canadian financial institutions.

While the recent spate of setbacks does not jeopardise the stability of the Conservative Government, the incidents are likely to reinforce widespread misgivings about its performance.

The Conservatives captured three quarters of the 282 parliamentary seats in last year's election and are not required to go to the polls again until 1989. But the Government has generally failed to live up to the expectations of many of its supporters, especially in the business community.

Initiatives to encourage foreign investment in Canada and boost the oil and gas industry have been overshadowed by Prime Minister Mulroney's apparent hesitancy in coming to grips with other key issues, notably the budget deficit.

The Government faces further controversy over the plans to take the first steps towards negotiating a comprehensive trade agreement with the U.S. While trade liberalisation is widely supported, strong resistance is expected from trade unions and the province of Ontario which fear the loss of Canadian jobs.

Mr Masse, formerly a senior executive at the well-known Montreal engineering group Lavalin, told the House of Commons that he was confident that the probe into his election spending would prove his innocence. He said that he was resigning to remove any doubt "about my integrity which would reflect on the Government."

Canadian law limits political candidates' campaign spending, and complaints about alleged breaches are fairly common.

Mr Masse is expected to return to the Cabinet if he is cleared of wrongdoing. His portfolio includes such politically sensitive areas as the promotion of Canadian culture, and deregulation of the telecommunications market.

Mexico City faces long delay for phone links

Mexico City, host of the 1986 World soccer cup, could be without full telephone services for up to six months as a result of last week's devastating earthquake, industry experts said yesterday, Reuter reports from Mexico City.

Last week's earthquake destroyed two of the state-owned telephone company's main communication complexes, a microwave tower and 15 other centres, including a building housing the city's international operators.

The damage isolated Mexico from all international communication in the first days after the earthquake.

It also raised fears that the World Cup, scheduled for next May and expected to attract thousands of sports fans and journalists who would depend on a reliable phone system, might be postponed.

One week after the earthquake, less than a dozen international phone lines were operating in the capital, according to telephone company officials. They said that the lines were being used by the Government and the press.

U.S. Atlantic coast threatened by hurricane

Thousands of tourists left their hotels and residents fled their homes as hurricane Gloria, described as one of the most powerful of the century, headed towards the U.S. Atlantic coast, Reuter reports from Cape Hatteras, North Carolina.

Forecasters said Gloria had lost a little strength and was now moving steadily towards North Carolina with winds of up to 130 miles per hour. But, they said, it might turn northward to the north eastern U.S.

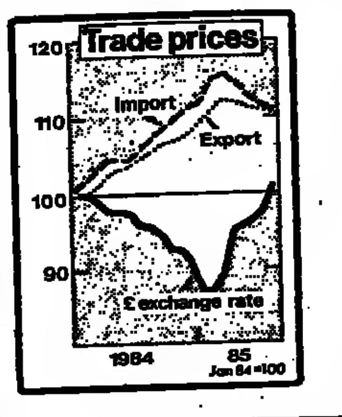
The National Hurricane Centre in Miami, Florida, said that at 1000 GMT yesterday Gloria was 400 miles from the resort of Cape Hatteras which is crowded with thousands of tourists at this time of year. The centre said that if the storm stayed on its present course it would reach the shoreline this afternoon.

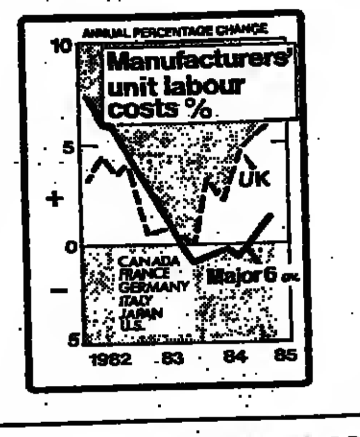
Sheriff Bert Austin said tourists in the Cape Hatteras area were heading home. The majority of Cape residents, numbering several thousand, had also evacuated, he added, but some had stubbornly decided to stay.

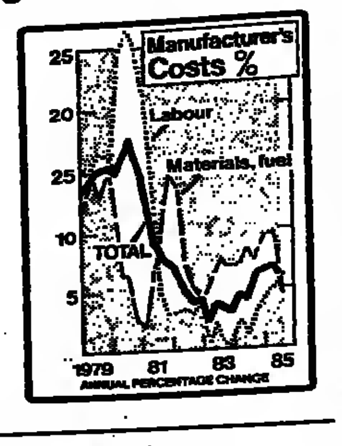
UK NEWS

Bank of England Quarterly Bulletin

Pace of world recovery slows down







REPORT BY MAX WILKINSON, ECONOMICS CORRESPONDENT

A GENERAL slowing down of the world economy and of Britain's growth rate seems in prospect, the Bank of England says in its latest quarterly bulletin.

In its general assessment, it says that recovery of the world economy slowed in the first part of this year, with growth in the U.S. at about 1½ per cent per annum in the first half, "well below the 3¼ per cent to which it had fallen in the second half of 1984."

Although the U.S. economy might be picking up, the Bank says the slowdown does not appear to have been offset by faster growth elsewhere.

It says the Japanese economy is expected to recover substantially after a subdued first quarter but, even so, growth in the first half of 1985 is likely to be below the rate of 5½ per cent to 6 per cent recorded throughout 1984.

In the U.S., personal consumption and business investment have remained fairly strong, stimulated, perhaps, by lower interest rates, partly the result of a more relaxed monetary policy. On the other hand, the uncompetitiveness of the U.S. as a result of the earlier rise in the dollar has exerted a powerful drag on output through the net trade deficit. In Japan and many European countries growth has been restrained by slower expansion of domestic demand than in previous recoveries, partly because of cautious fiscal and monetary policies.

The Bank says that the weakness of oil and commodity prices has helped industrial countries' current accounts of their balance of payments, as well as helping them to make further progress against inflation.

A generally subdued rise in labour costs per unit of output in most countries has also helped in the fight against inflation. However, the Bank cautions that unit labour costs have been rising relatively fast in the UK, putting a general question on inflationary and competitive prospects.

In the UK, the Bank says that, although economic activity seems to have been quite buoyant in the first half of the year, this partly reflected the ending of the coal strike and other special factors. Now it believes there is evidence that the surge in non-oil visible exports in the early part of this year may be coming to an end, and that this will have a restraining effect on the growth of the economy.

Expansion of UK output in the first half of this year means that the economy has achieved four years of continuous growth. "The underlying pace of growth has been somewhat obscured so far by the recovery from the coal strike and by quite wide differences in growth rates indicated by initial estimates of the conventional measures (expenditure, income and output) of gross domestic product around the turn of the year."

Much of the growth in the first half of the year will have resulted from the gradual resumption of normal working in the coal industry and the unwinding of other effects of the dispute. If allowance is made for all these factors, the underlying rate of growth may have been just under 3 per cent.

This is slower than the underlying estimates from the Central Statistical Office, which suggested the economy had grown by 4 per cent between the second quarter of 1984 and the second quarter of this year.

To underline its cautious view, the Bank says that there was no underlying growth in the economy between the first and second quarters of this year.

Output in the construction and service industries was flat, but in the electrical engineering, metals, motor vehicles, and chemicals sectors output has risen strongly recently. The food, drink and tobacco and metal goods sectors remain depressed.

The Bank says that output in the second quarter was sustained mainly by a revival in consumer spending, together with a modest rebuilding of stocks after substantial destocking earlier in the year. Fixed investment fell back sharply after the exceptionally rapid surge in the first quarter, however.

In current price terms, it says the visible trade deficit fell by more than £1bn in the second quarter, to £222m, which was the lowest quarterly figure for more than a year. This was mainly due to an improvement in the terms of trade, resulting from a cut in the price of imports brought about by sterling's appreciation during the period.

It says: "This terms of trade effect was of much greater significance than the volume improvement in reducing the non-oil trade deficit in the second quarter." The improvement in the non-oil trade position in volume terms was slight in comparison, with the volume of imports little changed and the volume of exports up by about 1 per cent between the first and second quarters.

"Sluggishness on both sides of the non-oil trade account in the second quarter is consistent with a picture of subdued growth in demand in the UK (excluding the effects of recovery from the coal strike) and in our overseas markets, and of little change in the effective price competitiveness of UK industry ... both at home and abroad."

Net exports of crude oil were lower both in volume and in value as a result of extensive North Sea maintenance work and a depressed sterling price for North Sea oil.

On employment prospects the Bank says that while the momentum of output growth was maintained in the first quarter of this year, first estimates suggest that the growth of the employed labour force slowed in the early part of this year. This followed rapid growth towards the end of 1984. It rose by 31,000 in the first quarter of 1985, compared with an average increase of 84,000 per quarter last year.

An increase in the number of employees last year was mainly attributable to part-time working by women. If a rough adjustment is made for the shorter working hours of these women, the full-time equivalent number of employees may have increased by only about 45,000 last year, only a third as much as the crude head count figures suggests.

The Bank judges that the underlying rise in unemployment may have eased in recent months. So far this year, it says there has been a rise of about 9,500 per month on average, compared with 12,000 per month last year. "This may in part reflect the increasing impact of special employment and training measures."

The Bank shows concern about the relatively rapid rise in labour costs per unit of output and in evidence that pay settlements in manufacturing industry may be creeping upwards. The underlying 12-month increase in average earnings for the whole economy has been unchanged at 7½ per cent since July last year, but unit labour costs in manufacturing appear to have accelerated.

Pay settlements in manufacturing averaged about 8½ per cent in the six months to June, having crept up from around 8 per cent in the last pay round. Meanwhile, the underlying rise in average earnings in manufacturing industry has edged up to an annual rate of more than 9 per cent from 8½ per cent at the start of the year.

"This pick-up in earnings growth has occured against a background of an apparent fall in productivity growth. On past experience this may well be revised up a little from the 3 per cent per annum to which it is estimated to have fallen from about 5 per cent at the beginning of last year.

"It is, however, clear that unit labour costs in UK manufacturing have recently been rising faster than 18 months ago, and distinctly more rapidly than those of our major overseas competitors."

Against this, it points to a further easing in the pressure of fuel and material costs, which were only 3½ per cent higher in the second quarter than a year ago. Taking these factors together, the Bank seems to endorse the view that inflation is now past its peak at about 7 per cent this summer and will fall back to around 5½ per cent by the end of this year.

It says that, if inflation is measured by the GDP deflator instead of by the more usual retail prices index, the annual rate rose from only 4½ per cent in the 12 months to the last quarter of 1984, to an annual rate of 5¼ per cent in the year to the first quarter of this year.

The Bank is concerned about the rapid growth of broadly defined money in the economy, particularly sterling M3.

Bank of England Quarterly Bulletin Vol 25 Number 3; £7.50 per issue, UK; £9 Europe; reduced rates for students, from Economics Division, Bank of England, London EC2R 8AH.

Easing of some debt problems predicted

THE DEBT problems of the developing countries without oil resources are likely to ease very slightly in the remainder of the decade, a Bank of England survey suggests. But the results, published in the quarterly bulletin, show that this conclusion depends very much on assumptions about the general state of the world economy.

The Bank's analysis is based on a survey of 20 developing countries and a forecast that the major industrial economies will grow at an average rate of 3 per cent a year in the second half of the decade.

The Bank assumes that world trade will expand by some 5 per cent a year, that world interest rates will decline, that the dollar will fall and the oil market will remain weak, with world inflation continuing to be low.

In these circumstances it believes that gross external debt will grow very little in real terms and that the ratio of debt to exports will decline for most countries, although not to the levels seen at the beginning of the decade.

The bank says: "For nearly all the countries considered, the availability of external finance is a major factor in their prospects. For most, access to commercial borrowing is expected to be extremely restricted, and others are expected to be cautious in their borrowing."

It believes that these countries will not be able to finance current account deficits of more than about $25bn per annum (half the rate of the early 1980s). The combined trade balance of these non-oil developing countries is forecast to remain in surplus until 1990.

The Bank notes that a 1 per cent reduction in world trade, compared with what it forecasts, would reduce debt to export ratios by about 8 percentage points from the current level of around 300 per cent on average.

An increase of 1 percentage point in interest rates would worsen debt to export ratios by about 2 per cent.

The survey as a whole suggests that prospects for the developing countries are moderately encouraging, but this is not necessarily true of all individual countries.

The outlook, the Bank comments, is very sensitive to the world environment and subject to significant risks.

Ministers set to arbitrate again over spending

BY PETER RIDDELL, POLITICAL EDITOR

THE STAR chamber committee of cabinet ministers is set to be re-established next week under the chairmanship of Lord Whitelaw the deputy prime minister, to arbitrate between the Treasury and other Whitehall departments over next year's public expenditure plans.

Senior ministers expect that the membership and remit of the Star Chamber will be confirmed by next Thursday's meeting of the Cabinet after a report from Mr John MacGregor, the new chief secretary to the Treasury, on his bilateral discussions with departments.

The present spending round is officially admitted to be much tougher than in the past two years. This is both because most of the easier options for squeezing out excess expenditure have already been taken, and because of tha continuing impact of this year's temporary acceleration in the inflation rate.

Together with higher than expected unemployment and excess local authority expenditure, these pressures have resulted in more than £3bn of unavoidable commitments.

The Treasury is seeking to offset some of this spending by squeezing other departments and by pushing up receipts and charges. This had led to unresolved arguments over the level of increases in electricity and gas prices, over further rises in parental contributions to student grants and over the environment budget. In particular, Mr Peter Walker the Energy Secretary, is pointing to the electoral impact of large rises in energy prices.

A further complication is that spending ministers are increasingly inclined to take issues to the star chamber committee rather than to settle quickly with the Treasury. Some programmes have, however, already been agreed in discussions over the last two weeks, but several difficult ones are now certain to go to the star chamber. The Treasury has been reluctant to regard resort to the star chamber as a foregone conclusion since this might encourage ministers not to settle.

The re-establishment of the star chamber committee comes after semi-public remarks by Lord Whitelaw and other senior ministers that they did not want to serve on it again after last year's lengthy and difficult series of meetings. However, it has proved to be impossible to devise an alternative means of arbitrating on public spending and so the star chamber committee looks certain to be re-established for the fourth time in five years.

The Treasury is, none the less, still hopeful that it will be able to meet its original spending target of £130bn for 1986-87, since there is a £6bn contingency reserve, well above that of previous years, and estimated sales of public sector assets are likely to be at least £1bn to £1.5bn more than assumed at present. This will reflect the combined impact of a further tranche of British Telecom sale proceeds together with the probable flotation of both British Airways and British Gas.

The Treasury's keenness to hold down spending has been reinforced by the likely cut in Government oil revenue as a result of the rise in sterling against the dollar. The likely timing is that the full Cabinet will reach decisions on expenditure around the end of October or early November.

CHANCELLOR SAYS UK ACCOUNTS FOR TWO THIRDS OF EEC VENTURE FUNDING

Lawson praises risk investment

BY ROBIN PAULEY

THE BRITISH venture capital market had expanded so rapidly that it was now proportionately larger than that of the U.S. and one of the great unsung successes of the last six years, Mr Nigel Lawson, Chancellor of the Exchequer, said last night.

Mr Lawson, delivering the London Stock Exchange chairman's lecture, said risk investment grew from £10m in 1979 to £284m in 1984.

"It is now realistic to compare the UK venture capital industry with that of the U.S.," he said. The £150m of venture capital raised by independent funds in the UK in the first half of 1985 was more in relation to gross domestic product than the $1.3bn raised in the U.S. over the same period.

"It is an extraordinary achievement on the part of the UK venture capital industry to have grown to the American scale in so short a period," he added.

Even more striking was the fact that the UK now accounted for two-thirds of the total venture capital investments in the EEC.

"That may indeed be part of the reason why over the past two years we have been so much more successful than our European partners in generating new jobs," Mr Lawson said." The rise in UK employment of some 600,000 since the 1983 general election is more than in the whole of the rest of the Community put together over the same period."

Mr Lawson devoted his entire speech to stressing achievements and successes in the corporate sector at a time when some indicators suggest the economic recovery is losing pace.

Many of the companies established by the surge in the venture capital market would be major employers by the end of the century, he said. In addition to the benefits to companies of the resurgence of British capitalism, there had been equally striking changes for employees through share ownership schemes.

Three major challenges now faced the financial community, Mr Lawson said. Venture capitalists were needed who were prepared to help entrepreneurs expand by further capital injections and managerial assistance. This also required "an enlightened attitude by the banking system to the cash demands of companies in the early growth phase."

Secondly, ways must be found to improve the supply of small packets of equity capital, perhaps through the creation of portfolios of "seed corn" investments.

Thirdly, the benefits of wider share ownership must be communicated more widely and small investors needed improved access to the market. "This means better information, easier access to stockbrokers and the lowest possible dealing costs."

Onshore oil prospects pull in big bidders

BY DOMINIC LAWSON

THE UK's first onshore oil and gas licensing round has attracted a strong response from the international oil industry. By Wednesday's deadline the Department of Energy had received applications from 117 companies for 319 exploration blocks. The results of the round are expected to be announced early next year.

The entire land mass of England, Scotland and Wales not already licensed was on offer. Fears had been expressed thet the most attractive areas – in the South of England and the East Midlands – were already under licence, but a number of almost unexplored areas has drawn a surprising amount of interest.

Lancashire has attracted many bids based on the hope that the geology that produced the Morecambe Bay gasfield off the Lancashire coast will extend onshore. British Petroleum, British Gas and Shell are among the companies believed to have bid for this area.

In the last budget the Government ruled that the oil industry could no longer offset onshore oil exploration costs against tax payable on North Sea production. This caused great protest and the new ruling was suspended for a year. The strong response of the industry to the onshore licensing round, however, will reinforce the Government's determination to make the industry pay the full costs of onshore exploration.

The exploration licences applied for will be valid for six years. Mobil, the world's second largest oil company, has applied for UK onshore acreage for the first time.

Although British Gas discovered Europe's largest onshore oilfield, at Wytch Farm, Dorset, few oil industry executives believe that there will be any further onshore discoveries of comparable size.

Britain to aid Saudi trade as part of Tornado aircraft deal

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

BRITAIN has agreed to help boost Saudi Arabian trade and industry as part of the biggest military deal Britain has yet negotiated, Mr Michael Heseltine, the Defence Secretary, said yesterday.

Mr Heseltine and Prince Sultan bin Abdul-Aziz, the Saudi Minister of Defence, yesterday signed a memorandum of understanding for the sale of 72 Tornado fighter-bomber aircraft and 60 jet and turboprop trainer aircraft. With spares, support and training the deal could be worth £4bn, Mr Heseltine said.

The Defence Secretary confirmed that Britain would receive part cash and part crude oil from Saudi Arabia in payment for the aircraft package. He revealed for the first time that part of the price of the deal was that Britain would help to boost Saudi trade and to examine the possibility of joint industrial ventures between the two countries.

Mr Heseltine was unwilling to give details, saying that the precise form that this "offset" agreement would take would be the subject of detailed negotiations over the next few months – as would be "the means and timing of payment" for the package and the "quantities and flow" of oil which will be involved in the semi-barter deal.

UK officials seem nervous of the implications of the new agreement on trade, seeing it as a possible stumbling block in the forthcoming negotiations. Saudi Arabia, with its small industrial base and low population, is a difficult country to help in this way, as the U.S. company Boeing appears to be discovering.

Britain is not anxious to follow the Boeing precedent where, on a major contract for a sophisticated command and communication system known as Peace Shield, about 35 per cent of the value of the $3.5–$4bn contract must be ploughed back into Saudi Arabia in the form of joint ventures and the transfer of technology.

The aircraft involved in the British deal are 48 interdiction/strike (IDS) Tornados, 24 of the Tornado air defence version (ADV), as well as 30 Hawk jet trainers and 30 turboprop Swiss-built PC9 trainers.

Overall the deal will probably extend the Tornado production line by a year, although since the aircraft is built collaboratively with Italy and West Germany, some 60 per cent of the profits from the deal on the actual aircraft will go to Britain's partners.

When weapons systems, spares and training are taken into account, Britain stands to take a much bigger proportion of the total deal.

Owen urges action on maritime decline

BY PETER RIDDELL, POLITICAL EDITOR

BRITAIN should take action within the EEC to reverse the decline in its maritime fleet and naval capability, Dr David Owen, the Social Democrat leader and MP for Plymouth Devonport, argued last night in the Institute of Directors' annual lecture.

Under the title of Britain's Role In the world today, Dr Owen discussed issues of the relative decline in the UK's economic position, the need to strengthen Britain's participation in the EEC and the particular example of the problems of Britain's maritime fleet.

He argued that Britain was now in the third division of nations judged by real national income per head, along with Hong Kong, the Soviet Union, Yugoslavia and Taiwan. "The UK has become a low growth, low skilled, low wage economy, relative to our principal competitors in the OECD," he said.

To revive Britain'a scientific, technical, industrial and commercial base as a nation, Dr Owen said thet Britain should be part of a European strategy, ensuring that European states stretched out both to the east and the west.

He said that this year the choice of British politicians was to help make the EEC into an effective decision-making body with more majority voting and a proper internal market operating by 1990. At present, Britain was lagging behind the rest of Europe in opening up internal markets.

Dr Owen took the example of maritime decline to illustrate the necessity for joint action. He urged a greater degree of specialisation and selectivity within the EEC.

In particular, he said that Britain should protect its interests in offshore development in the North Sea as the Norwegians had done. There should be a decision to maintain a minimum level for the British and European merchant fleet and the associated shipbuilding and repairing industry on strategic grounds.

Dr Owen repeated his call for the cancellation of the Trident nuclear missile programme and the building up of Britain's hunter-killer submarine fleet, with a view to having seaborne cruise missiles as a contribution to Nato's nuclear deterrence. British naval specialisation in Nato should be to maintain its underwater expertise, even at the expense of surface fleet numbers.

Minister refuses inquiry into Liverpool crisis

MR KENNETH BAKER, Environment Secretary, yesterday placed full responsibility for Liverpool's cash crisis on the Labour-led city council and refused either to hold discussions with councillors or to set up an inquiry into the city's finances.

His uncompromising attitude, confirmed at meetings in London with leaders of the unions with members employed by the council and with a delegation of Liverpool Labour MPs, means that local councillors will have tho reach rapid decisions in order to stave off bankruptcy.

The city council is to meet today and is expected to propose the issuing of temporary dismissal notices to its 30,000 employees as a short-term solution to the budget crisis. This has been caused by the council's refusal to balance its budget in protest at government cuts in grant.

Issuing the 90-day notices would enable the council to raise money against the expected rent and rates (property tax) income that would accrue between December 31 and the end of the financial year on March 30. This could then be used to pay wages.

□ LONDON BRICK, Britain's biggest brick maker, which was taken over by Hanson Trust in February last year, is making more than a quarter of its workforce, 1,264 people, redundant. It is part of a multi-million pound plan to cut brick-making capacity in line with a declining market and reinvest in modern plant.

"The market for fletton (general purpose) bricks has been in decline and London Brick's share of the total brick market has fallen from 42 per cent to 34 per cent in the last four years," the company said.

□ BREAD prices could rise by up to 3p a loaf before the end of this year as a result of the poor quality of the UK harvest. Stockbrokers Wood, Mackenzie say estimates of the shortage of quality wheat range from 1m to 2m tonnes. One million tonnes of milling wheat have been ordered from France and this could double by the year end, according to French grain merchants. Each tonne of French wheat is estimated to raise millers' flour costs by about £4 a tonne.

□ PHILLIPS & DREW, the London stockbroker which recently obtained a Bank of England licence to take deposits, is to launch a banking service next week. Union Bank of Switzerland, which is acquiring Phillips & Drew, has told the Bank of England, that it is backing the venture.

□ VAG (UK), the Lonrho-owned Volkswagen/Audi importer, has opened a £4m distribution centre near Ramsgate, Kent which nearly trebles its capacity to handle import.

□ LEYLAND Bus has won a £7.5m National Bus Company order for 170 vehicles. It is one of the largest orders placed with the UK bus industry this year.

□ MARCONI Command and Control System is to supply the British army with an advanced artillery control system in a deal worth more than £100m.

THE GULF WAR—FIVE YEARS ON

Why Kharg Island is the key to the conflict

By Roger Matthews, Middle East Editor

THE GULF WAR between Iran and Iraq this week entered its eixth year. It has claimed, at tho most conservative estimato, 400,000 doed and at least ½-m woundod.

For such a bloody, cruol confiict, wlth its First World Wer tactics of buman-wave assaults on one side and the use of mustard gas on the other, it has remarkably failed to hold world attention beyond the momentary flurrios provoked by the sheer scale of tho killing and by largely unrealised threats to vital Western intorests.

But it is none tho less a struggle whose continuation and eventual outcome will affect Middle East politics and the balance of power in tho reginn for decades to como. The very length of the confiict underlines the importance of the issues at stake and the tenacity with which thoy are being pursued by the two regimes in Tehran and Bagbdad.

The war started purportedly as a territorial dispute ovor control of the Shatt al-Arab waterway on the eouthern part of the international border where the Tigris and Euphrates rivers meet. But it quickly came to be seen as a fight to tho death between two regimes.

On the one hand it could decido the fate of tho Islamic revolution in Iran, itself the most potent threat to established political order in the Middle East since the birth of Arah nationalism in the middle part of this century. On the other, it could topplo the regime of President Saddam Hussein in Baghdad and replace him with a government sympathetic to Tehran.

In the eyes of many senior members of the Iranian regime, the war and the revolution ere inseparable. For Ayatollah Khomeini, Iran's spiritual leader, the eventual defeat of Saddam Hussein is a religious duty no less obligatory than the overthrow of the Shah in 1979. Not only has the Iraqi President to be punished for his "war crimes," but the Iranian revolution is also more broadly charged with providing assistance to all oppressed Moslems.

By any current Iranian definition there are few Moslems more oppressed than those in Iraq. However, President Hussein in his turn presents himself as the saviour of the Arabs against the traditional Persian enemy and, increasingly, as the standard bearer of Western interests and those of tha oil-exporting monarchies of the Gulf.

The man who before the war considored Libya and Syria insufficiently radical in thoir pursuit of Arab causes, today allios himself with advocates of peaceful negotiation, such as President Mubarak of Egypt and King Hussein of Jordan.

Diplomatic relations with tho United States, broken off at the timo of tho 1967 Arab-Israel war, have been restored and after the Soviet Union, France has become Iraq'e most important supplier nf military hardware.

These changes in posture have been forced on Iraq by its initial miscalculation that the Iranian regime could be brought to its knees within a few weeks of the invasion. Instead the Iraqi army became quickly bogged down and in little over 18 months was driven beck to tho international border.

For perhaps a year there was just the possibility of an Iranian military victory, a prospect that has since given way to a now well-establisbed military stalemato. Althougb Iraq bas been forced to concede small strips of territory up to 20 miles in depth along parts of tho border it has genorally been successful in absorhing all major Iranian nffensives. Its in-depth defensive barriers have successfully blunted the initial Iranian thrusts allowing time for counter-attacks to be mounted and for Iren's own logistical weaknesses to become apparent.

The inability of Iran to replace and repalr critical military equipment, especially aircraft and armour, bas forced it to rely heavily on the one clear advantage it does enjoy over Iraq—manpower. Enthused by the ability of lightly armed civilians to rout the Sbah's superbly equipped defence forces in Tehran, the Iranian clergy still appears to believe that religious fervour can overcome modern weaponry. Belief, however, shows every sign nf being tempered by pragmatism and Iran, at least temporarily appears to have ruled out further mass offensives.

This has brought some relief to Iraq, mindful of the high political cost of casualties on a population of 14m—less than one-third of Iran—but it does not offer an early prospect of an end to the war. There is no doubt that President Hussein would have settled during the past two years on almost any terms that did not involve overt political humiliation. Although Iraq has crude oil reserves eecond only to those of Saudi Arabia, it has been forced in the past five years to draw down $30bn in reserves and borrow more than that amount from Saudi Arabia and other Gulf states.

The npening next month nf a new spur pipeline through Saudi Arabia will eventually boost its total exports close to 1.5m harrels a day but it cannot recreate the strong economic growth which it was enjoying before tho war. So long as Iraq is forced to maintain a large standing army on tho Iranian border and assign a heavy proportion of its hard currency earnings to military procurement its economy will remain nn e war-footing.

Officially, Iraq refuses to toloreto such a prospect and has accordingly sought military means to force Iran to the nogotiating table. Essentially this has meant the use of Iraq's 10-1 superiority in combat aircraft to threaten the flow of Iran's oil exports and to lower the morale of Iranian civilians through attacks on population centres.

Yet until the last month neither policy has been pursued with much vigour. The use of French-supplied Exocet missiles to attack oil tankers using Iran's main export terminal at Kharg Island has proved more an irritant than a real threat.

However, in the past week, Iraq has been showing far more determination to inflict heavy damage on Kharg. Instead of missiles it has been using conventional bombs against the facilities thore and has met with clear success. Iran'e egeing missilo defences hava proved inadequate and its oil exports sharply redneed. But given the capacity of Kharg, Iraq will have to maintain almost daily attacks if it is to keep np the pressure on the Iranian leadorsbip.

Iran's normal answer has been intermittent and generally ineffective air attacks on tankers boading to or from ports in Saudi Arabia or Kuwait. More recently it has taken to boarding vessels which it suspects might be carrying war materials for Iraq. It claims to have searched over 40 vessels in the past few weeks.

The extent of the damage to Kharg can best be judged by Iran's newly-issued warning to shut tho Straits of Hormuz if the Iraqi attacks continue. This threat, which the U.S. does not believe can be sustained, is ono Iran invariably makes when it has been burt by Iraqi attacks. Certainly there would he no point in Iran attempting to carry it out unless its own oil shipments bad bean effectively halted.

However, western military experts are still unsure whether this latest round of attacks on Kharg Island might at last provide an answer to the greatest mystery of the war.

They heve been at a loss to explain why President Hussein has refused to use the full weight of his air force against almost totally vulnerable Iranian economic targets.

One charitable explanation is that his restraint has been sought by Saudi Arabia and other Gulf states fearful that a badly-wounded Iran could lash out egainst their oil-exporting facilities or other economic targets.

It does seem improbable, however, that Iraq would heed such pleas if the only alternative was a war without apparent end. In the absence of more credible explanetions it bas had to be assumed that within Iraq's own military and political limitations, it was genuinely doing its best to force Iran to negotiate.

If that was the case, there seemed little reason why Iran should not be allowed to dictato the duration of the war. It may have to abandon bope of winning in the conventional military sense hut through small-scale attrition might oventually hope for war weariness to provoke popular disaffection and divisions within the ruling Be'ath Party.

Iraqi publications demonstrate the same preoccupation with internal divisions and worsening economic conditions within Iran and endlessly forecast the overthrow nf Ayatollah Khomeini. So far as can be judged hy visits to both countries, neither régime looks to be in any imminoot danger, not least because of their mutually ruthless attitude to those who nppose them.

The unpopularity of the war is evideot in both capitals, more so in Tehran where there is greater freedom of expression.

For the Iranian revolution to attract greater international support, particularly in the Middle East, it has to create a bandwagon on which people wish to leap for no better reason than to be on the winning side.

Islamic fundamentalism, as a reaction to excessive matorialism and Western culture, or as a vehicle through which deprived communities can channel their frustrations, is undoubtedly a growing political force in the Middle East.

Since the Iranian revolution it has shown itself most dramatically among the Shi'ites in Lehanon but is also in varying degrees a part of the political landacape in Kuwait, Seudi Arabia, Bahrain, Sudan, Egypt, Syria, Tunisia and Morocco.

In its more violent expression it has been the main motivating force behind attempts to destabilise smaller Gulf countries, especialy Kuwait, which has suffered hoth bomb attacks and an attempt on tho ruler's life.

Tho political pressures on established Arah rulers, particularly those with close links to the U.S., seem certain to intensify as economic conditions deteriorate in the wake of continuing low demand for oil. The principal reason why Saudi Arabia has prevaricated for so long abont its own sharply declining oil revenues is the fear of the political consequences resulting from a price war.

The Soviet Union and the U.S. meanwhile ahow a rare unity in not wishing to see an Iranian victory.

However, Iran has started to search the world more actively for friends, and Foreign Ministry officials like to hint et enhanced trede relations with Moscow as porhaps a first step towards improved understanding.

This may encourage fresh ottempts by international organisations to find a basis for a ceasefire and evontual peace negotiations. But as in all previous efforts they will run into two insuperable Iranian barriers.

The first is spoken for all to bear. President Seddam Hussein has to be removed from power. The second is not mentioned publicly, but is at the core of Iranian thinking. The senior clergy fear that once the figrting has been halted it would be almost impossible to resume the war.

It is assumed in Tehran that peace negotiations nn its demands for massive war reparations, and involving a settlement of territorial border disputes, could last months if not years. The chances of failure would be great, especially if, from an Iranian point nf view, Iraq came to assume that the will no longer existed among the Iranian people for a resumption of fighting.

Even the more pragmatic among the Iranian leadership are believed to accept the validity of that argument and thus the best thet might he hoped for from Iran is a continued scaling down of military operations. It is not fanciful to suggest thet the Gulf war could continue in this vein for another five years with a change of regime in Baghdad or Tehran still offering the best, if still limited, chance of a lasting peace. Unless, of course, the Iraqi Air Force has finally acquired the determination and skills necessary to halt the flow of oil from Kharg.

APPOINTMENTS

Chief executive of Time Assurance

Mr David Cox has been appointed chiof executive of TIME ASSURANCE SOCIETY and was eppointed general manager in 1980. The prime instigator behind the launch of Savers Assurance Society—the tax-exempt arm of Time Assurance—he was elected chairman in 1980, a role he cootinued to fulfil until the transfer of engagements from Savers Assurance to Time Assurance took place on July 2.

★

Mr A. B. (Sandy) Marshall has baen appointed vice-chairman of THE BOOTS COMPANY. He joined the board in 1981. He is tha chairman of Commercial Union Assurance Company and until recently was also chairman of Bestobell.

★

Mr J. Segal has retired as chairman but will remain a director of LISTER & CO. Mr Justin A. Kornberg, previously deputy chairman end joint managing director, has been appointed chairman. Mr Michael H. E. Dracup, previously chiof executive and joint managing director, becomes managing director. Dr N. B. Smith has been appointed a non-executive director of the company. He is chairman designete of Metal Box and was previously a director of ICI. Prior to joining the ICI board he was chairman of the fibres division.

★

LLOYDS MERCHANT BANK has appointed Mr Martin Cruttenden as a managing director. He will havo responsibility for financial control, risk control, personnel, ioformation technology, operations end support services. For tho past year he bas been general manager (special duties) of Lloyds Bank with responsibilities releted to the merger of Lloyds Bank and Lloyds Bank International. Mr Brian Ashby has been appointed general manager (organisation development), with responsibilities releted to the merger of Lloyds Bank and Lloyds Bank International. He will take np his new post on October 14. He is currently director, Middle East and Africa division of Lloyds Bank Interoetional. Mr Jorge Gamarci, executive vice-president and deputy general manager, North America, of Lloyds Bank's international banking division, has been appointed to the board of Lloyds Merchant Bank.

★

Four now members have been appointed hy the Indopendent Broadcasting Authority and the Cahle Anthority to the Advertising Advisory Committee, which was set up to advise the IBA on the principles of broadcast advertising. Mr Anthony Bracking, chairman of the Code of Advertising Practice Committee, ond consultant in public affairs for Johnson Wax Mr John Ferguson, secretary and registrar of the Pharmaceutical Society of Great Britain from October 1. Mr Ron Gray, chairman of Lever Brothers, nominated by tho Incorporated Society of British Advertisers; and Mrs Anthea Secker, a member of the boards of governors of Barnardo's School for Girls and of an ILEA school for maladjusted boys.

★

Mr Clive Weber has been appointed a partner of WEDLAKE BELL from October 1.

★

Mr Philip Brading, Mr John Fordham and Mr Michael Percy have been apointed to the board of HILL SAMUEL & CO.

★

BASSETT FOODS has made sevoral changes within the group which become effectivo from October 14. Total export sales for both UK ond overseas subsidiaries will be the responsihility of o new company, Bassett Foods International, headed by Mr S. Armitage as managing director with Mr C. J. Jones, a non-executive director of the main board, becoming this subsidiary's chairman. At main board level, Mr John Buckley, finance director, takes on overall responsibility for corporate planning and is designated group finance and planning director. Mr Bruce Creed has a new assignment as development director and moves to group hoadquarters from Geo Bassett & Co, where Mr Peter Ashmore becomes managing director.

★

Mr Andrew Dick has been appointed group director, credit services, at DUN & BRADSTREET. He replaces Mr Jim Armstrong, who is returning to the U.S. Mr Dick joined Dun & Bradstreet in 1979 as financial controller and hos held a number of senior positions including group finance director and most recently group director, business marketing division. He now takes over an enlarged credit services division which includes the business edncation department. Mr Tony Hollands, general manager business marketing division, has been appointed en associate director of the company. The division has been expanded to includa the financial information services department. Mr Gerry Stevenson, personnel director, has been appointed an associate director.

★

Mr Nick Tuthill has been appointed e director of VICKERS DA COSTA, stockbrokers.

★

KIRKLAND-WHITTAKER (STERLING BROKERS) has appointed Mr Graham Street, as a director and Mr Peter Shafto, as a consultant.

THE PROPERTY MARKET BY WILLIAM COCHRANE

Fluor complex for London Docklands

THE London Docklands Development Corporation has landed its second major office deal in a month. Following news of the Marples International plan for 330,000 sq ft at the end of August, Fluor Great Britain decided this week on a move from Euston Squsre to a site on the southern side of the West India Dock.

Both sites are in the Docklands Enterprise Zone. But while the Marples scheme is *speculative*, and *phased*, Fluor—UK subsidiary of the U.S.-based engineering and construction group—is going for a purpose built office complex of some 200,000 sq ft for its own occupation.

Fluor has reached agreement with the LDDC to develop the 3.8 acre site and has appointed YRM, architects and planners, to *provide* a design. LDDC chairman Christopher Benson hal, seen early ideas and expects a "very fine" building. "I'm delighted at the news," he said; "Fluor is a real capture."

And so it is. While news of a U.S. consortium's plan for 8m sq ft of office space on Canary Wharf may have to wait until the end of October—pending a parliamentary *bill* for the extension of the Docklands Light Railway *from* Tower Hill to Bank—this deal will help to keep the Docklands pot boiling.

Fluor is helpfully enthusiastic. "*We work for* the oil, gas, pharmaceuticals and general manufacturing industries," said Dr Roland Olivier, chairman of Fluor GB, this week. "Tha Docklands Enterprise Zone offers an interesting environment, and with the STOL airport, *provides good communications for our clients in the UK* and major export markets such as Europe and the Middle East."

Fluor employs about 1,000 people in its Euston engineering centre and currently occupies about 116,000 sq ft in one 10-storey tower block, and a central three-storey block of Euston Square, owned by British Rail and Norwich Union.

It decided that to operate profitably and efficiently, it needed a different kind of building in a different part of London. Its employees get a lot more space and yet, while the company is *not* yet able to go into detail on the costs of the project, it expects to be eble to reduce its operating costs in the process.

The company expects the development to be funded from outside sources, giving it the option to purchase at a later time. This method has been employed in headquarters construction deals in *other* parts of the country, and Fluor confirms thet delayed purchase can be more tax efficient than outright, and immediate freehold acquisition.

Reigate permission for L & M

JOINTLY WITH Guinness Peat Property Services (trading as Jumpcloud), London & Metropolitan Estates has received *planning permission* for a 87,500 sq ft office development in Reigate, Surrey.

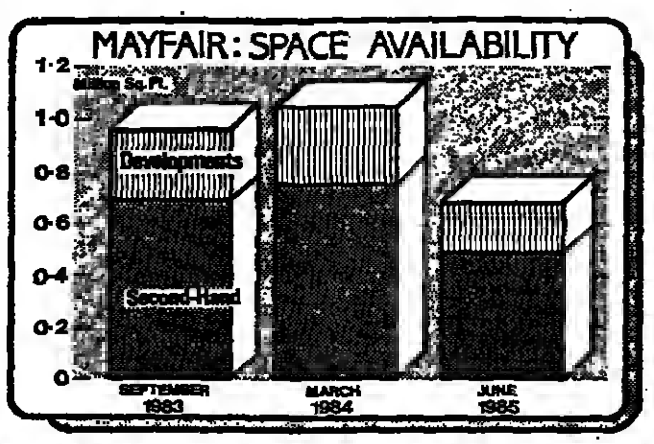
It bought tha site two years ago but its proposals were called in by the Environment Secretary despite support by an existing Reigate user. A planning inquiry followed last November but it took a government reshuffle, grumbles L & M chief executive David Lewis, to get e decision through.

Reigata is a hot-spot on the London periphery, close to the M25 and Gatwick Airport, with office development subject to severe planning constraints. Letting agents are Knight Frank & Rutley and terms have been agreed for the *letting* of the entire buildings to R. Wetson & Sons, the UK's *premier* firm of chartered actuaries

The two-acre site, which will now house a building valued at £17m on completion, is prominently located opposite Reigate Town Hall on the corner of London Road and Castlefield Road, the town's main office location. "*It was* crying out for office development," says Mr Lewis.

Weatherall Green & Smith represented R. Watson. The scheme was initially assembled by London and Colonian Properties.

Mayfair forecast



MAYFAIR has seen a sharp fall in availability of space *since March 1984, say Richard* Ellis in their latest West End office report.

The decline has been most apparent in development space, availability of which totalled only 183,000 sq ft by *mid-1985*.

Speculative development completions for 1985 and 1986 *are currently scheduled* at 300,000 sq ft and 170,000 sq ft respectively.

However Ellis see the market absorbing that without difficulty, and top rents rising from £26 a foot to £30 by the *end of 1986*.

Tower Hamlets tests the market

TOWER Hamlets Council is going ahead with a scheme to build a major shopping centre on a 5½-hectare (14-acre) site bounded by Whitechapel Road, Brady Street and Vallance Road in the heart of London's East End.

Tho scheme could eventually see over 500,000 sq ft of retail floorspace, a major office development, around 200 flats and parking for up to 1,200 cars on the vacant site.

Hillier Parker, says the council, raised some doubts *about the scale of the shopping* element. But Tower Hamlets has decided to test the market and will be inviting developers to submit outline proposals next month.

Maxwell Creasey retires

"PROPERTY has been my life *and my* pleasure," *says* Maxwell Creasey, deputy managing director of MEPC, who retires on Monday after 38 years with the company.

Mr Creasey is regarded as one of the most "professional" of the directors of msjor companies, and takes that reputation with him as a non-executive director of Associated British Ports, Grainger Trust and Ronald Martin Group, and *to his position on* the London Boards of Sun Alliance and the Northern Rock Building Society.

He also takes a dry sense of humour: "Personally, I've always avoided having a computer terminal in my room; Christopher Benson (MEPC's managing director) has one, but I haven't seen any wires connecting it to the wall."

Mr Creasey was for many years in charge of *MEPC's* whole UK investment portfolio *before* handing on to James Tuckey, and since 1978 has been Chairman of MEPC American Properties.

He will not be replaced. Mr Benson expects the executive board to drop to four—himself, Mr Tuckey as estates director, Roger Squire on development and Jim Beveridge in finance—after ex-EPC director Stanley Honeyman retires next year.

Shrewsbury plans a Pride of retailers

IN generous mood, Shrewsbury and Atcham Borough Council gave detailed planning permission this week to John Laing Developments and Shell Pensions Trust *for a* £40m town centre shopping scheme. *It is only* a matter of a few weeks since Hardanger Properties got its permission for another shopping centre nearby.

Both are on Pride Hill; the Laing/Shell development will be known as The Pride *and* let by joint agents Hillier Parker and Debenham Tewson & Chinnocks.

The Pride includes a 1,000 space car park, a new town centre bus station, and extension and incorporation of the existing Marks & Spencer, Littlewoods and Woolworth Stores. Excluding the latter, gross area *of the scheme is* 443,000 sq ft and the net 180,000 sq ft against Hardganger's 109,000 sq ft from a gross of 185,000 sq ft.

● Barclays Bank says that it had informal talks with the City of London planners *on* Tuesday to look at its occu*pational requirements* for the next decade. It has over 20 buildings in the City and would like to see a much smaller number with larger, open plan floors.

Architects GMW are reported to be putting together a plan for a development costing £100m on *the site of* Barclay's existing headquarters at 54 Lombard Street; space requirement is *variously* estimated at 350,000 to 400,000 sq ft.

● U.S. notes: Ladbroke's London & Leeds subsidiary has pre-let to MCI Telecommunications the first of three *90,000-sq-ft* buildings which form the second phase of its Royal Executive office park development in Westchester, New York State, lifting its total rent roll *at the park* to over £5m.

Centros Properties' Boston offshoot has pre-let its new £20m 173,200-sq-ft office building at Massachusetts Turnpike, Boston, within weeks of its completion.

● Chestertons are looking for £13½m for Gallaher's freehold at 65 Kingsway, London, WC2, which offers 60,000 sq ft of office space.

● BAT Industries and Lambeth Council, progenitors of the Brixton Enterprise Centre, thought they had a winner *when, after a competition*, they chose "The *Stock Exchange*" as the name for the basement half of the *centre's* retail element. Registration in Cardiff said no, sensing the possibility of some confusion with an establishment further up the Northern *Line. So* they are thinking again—and open to ideas.

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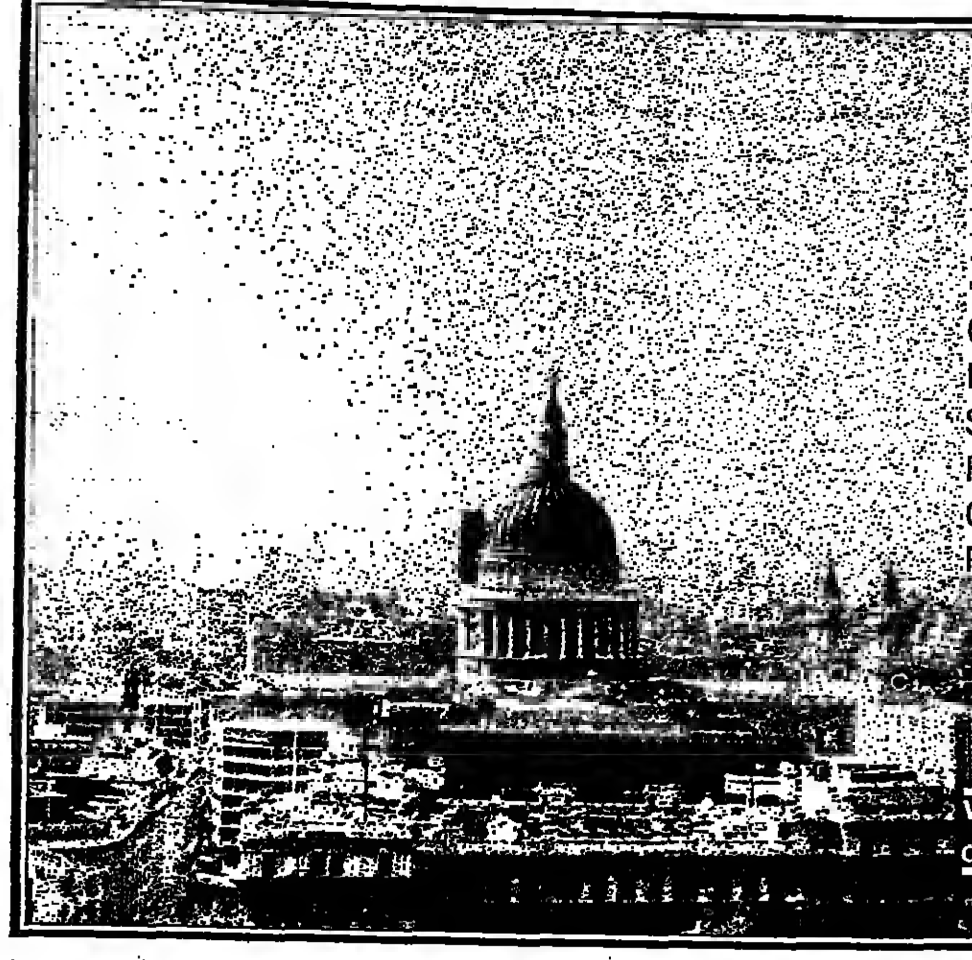

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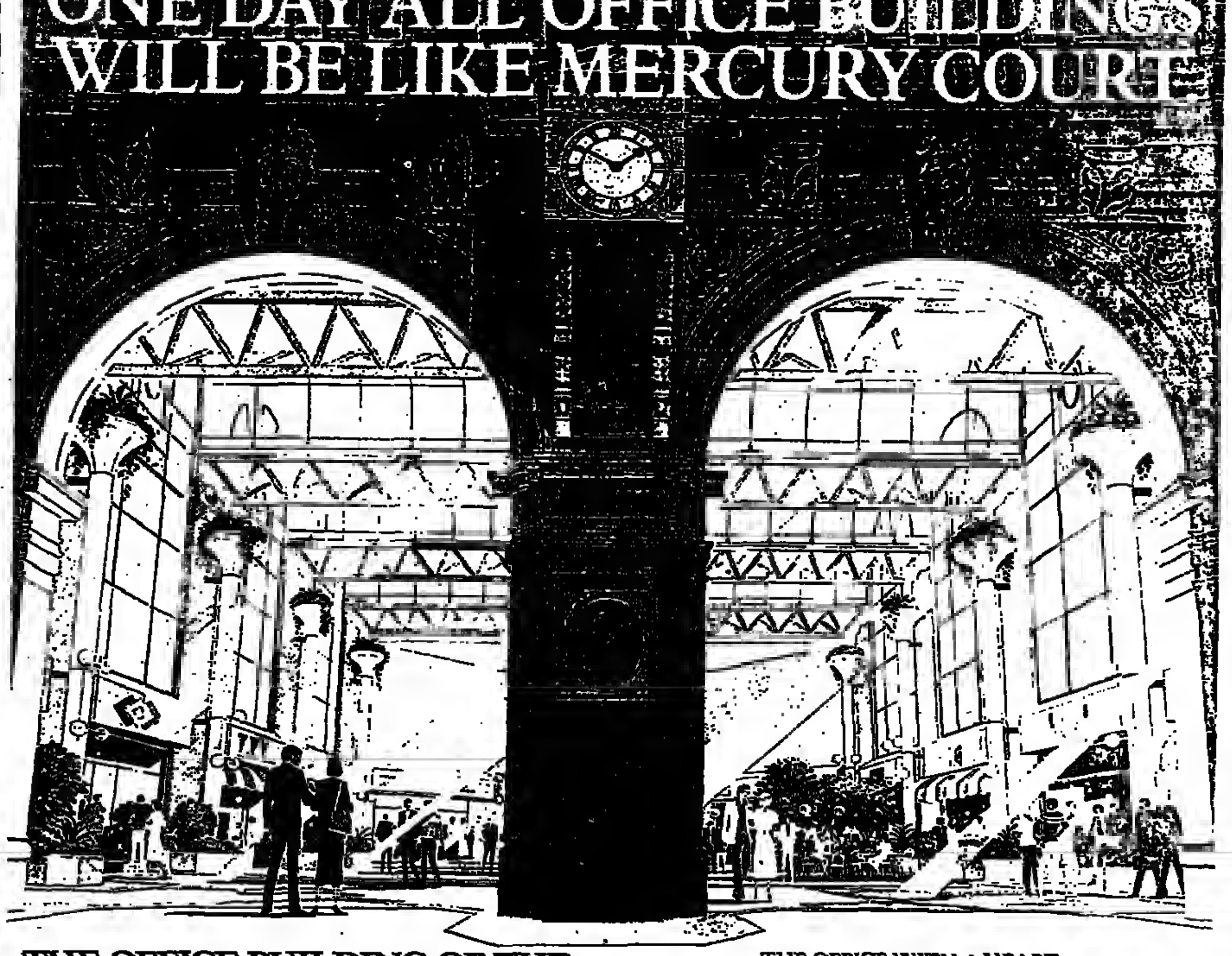

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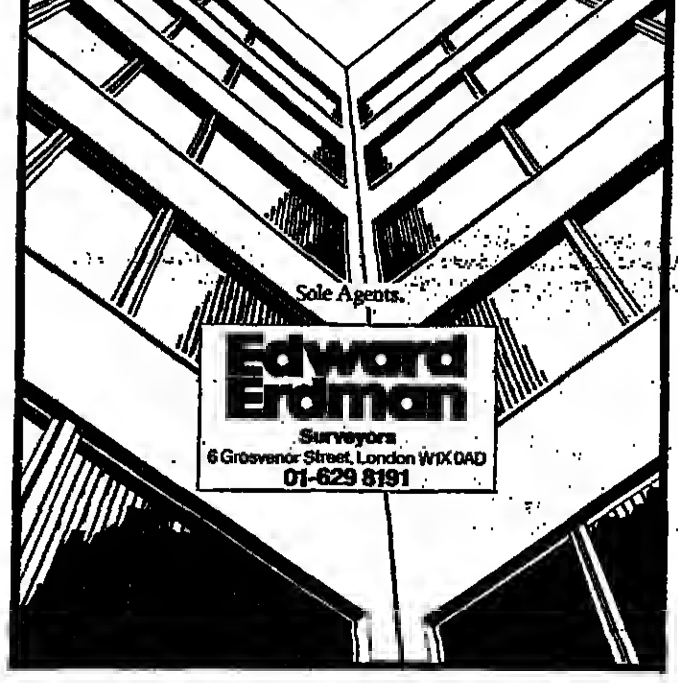

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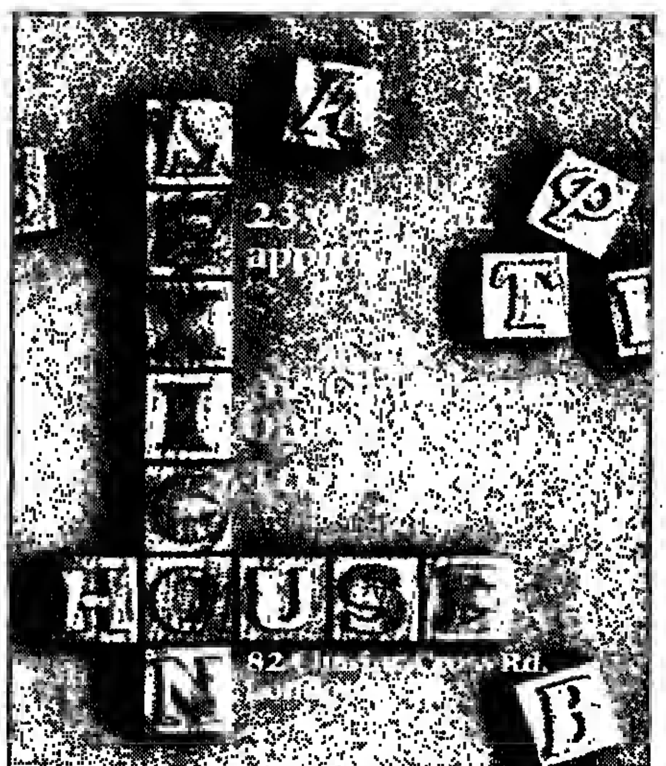

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TECHNOLOGY

EDITED BY ALAN CANE

Software publishers strike back at the pirates

Copyright holders in the U.S. are turning to widely differing ways of protecting their wares, reports Louise Kehoe

APPLE Computer recently had to remind its employees: "Thou shalt nat ever copy copyrighted software." Even at Apple, which is very conscious af software copyright, it was discovered that a few emplayees were illegally copying programs.

"Our company's compliance with ethical practices and the law is better than 99 per cent of the companies in the U.S.," Mr Al Eisenstat, Apple's legal adviser, claims, hut be admits software piracy is difficult ta control. If it happens at Apple, it is going on everywbere.

To many, making copies of personal computer programa does not seem to be a crime. After all, they reason, it *is just* like duplicating a magazine article, is not it? Nat so, say software publishers who are variously estimated to lose between a quarter and a half their potential revenues to software pirates.

Software publishers have generally tolerated casual piracy by individuals who run off a copy of a program for a friend. They draw the line at corporations. Lotus Development, publisher of *1-2-3*, has sued five U.S. companies, alleging illegal copying af their products. All have settled out of court.

To stop users copying their products, many software publishers incorporate "capy protectian" schemes. Codes on a disk make it difficult to duplicate, but such schemes are not *foolproof*. Special "copying" programs can be used to overcome most af them.

Taking a stan dagainst software piracy, Lotus plans to incorporate "hardware protectian" an its disks. This is a system which marks the disk with a code that identifies the computer it is run on. After the first use, the disk will not aperate on any other computer. Although it is the surest defence *against illegal* copiers, hardware protection does represent a significant inconvenience to users — especially those who might use more than one machine.

Another hig drawback of copy *potection has* emerged with the growing popularity of "hard disks." *These storage units*, which attach to the personal computer, can be used ta hald several frequently-used programs. But to use the hard disk, the user must first copy his programs onto the unit. If a program is copy protected, this procedure does nat work.

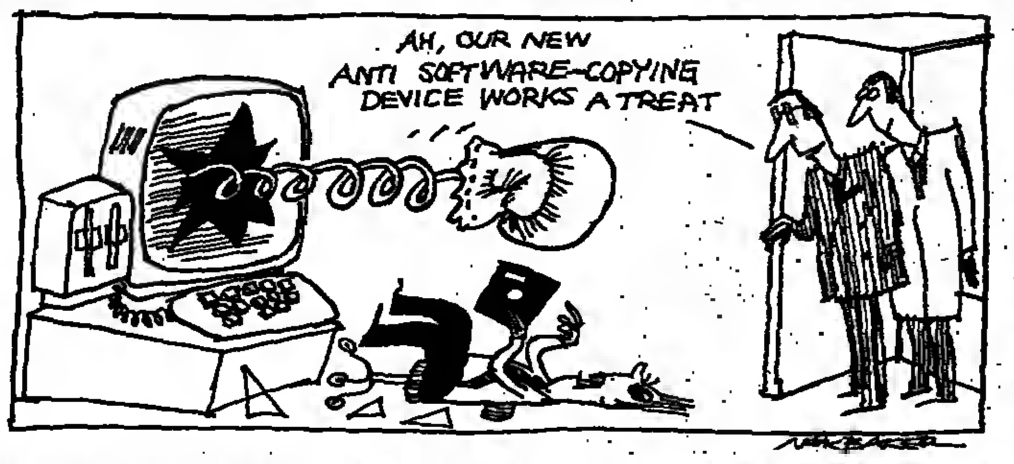
One solution has been the use of *the* "key disc" methad. Living Videotext, which publishes "Thinktank," tried this opproach. "In February 1984 we released the *PC-DOS* adaptation of Thinktank using the "key disk" copy protectian method. You could copy the files onto a hard disk, but in order to run the software you had ta make sure that the *original program disk was in* drive A. Once the programe was laaded, yau could remove the key disc."

At first, the company reports, the system worked well. As the number of bard disk users grew, hawever, Living Videotext received numerous customer complaints. "We were trying to aend a aignal to *our users*: 'Don't copy our software.' Our users were *sending a signal* back: 'We want convenieoce.'"

Recently, *Living* Videotext changed its saftware copy protection policy. The company now sells a copy pratected versian but affere purchasers the opportunity ta buy an unprotected version *for* an additiooal $40. "The recipient af an unprotected diskette must also execote a licence agreement—a very effective signal saying clearly that it is wrong to distrihute copies of our software.

"We believe this method is just as good as copy protection, without imposing any inconvenience on the hanest *customer*."

Again, Lotus Develapment is leading the *industry with* a new system which allows the user to *copy his disk* an ta a hard disk but in doing so destroys the original.



Many software companies which affer business and educa- differeot approach. Acknawledging that it is futile ta try to their products, some are offering "site licences."

According to U.S. copyright laws, every time an extra personal computer is bought the computer user must also buy a new set of software to run on the machine. "Sharing" the software by makin gcopies ar using a back-up disk on a second machine is not allowed.

A common example af illegal copying occurs in schools. Teachere in the U.S. are notorious software copiers. It is not difficult to understand why teachere with small classroom budgets will baulk at the prospect of purchasing dozens af *copies of educational software*. Instead, they make copies af the computer *disks—just* as they dpulicate wark sheets for classes.

"Site licences" grant carporations and edncational *institutions* the right to reproduce and distrihute software to *eligible computers and work* stations. The licence fee is based on the total nomber of computers at the site and tha cost per unit is *generally* significantly lower than the one-off price.

But the *site licencing scheme* does not appeal ta software retailers. "*Site licencing* confuses the sales efforts in the market place because of inconsistent pricing and policies," Mr Frank Slovenec of Microrim believes. "Not only does it compete with distribution *channels*, but it lowera the standards far technical and customer *support*."

Bucking the trend to site licencing, Microrim is offering its R:Base data base program with a company-based licencing scheme which *includes* considerahle support and service.

Company-based licencing schemes may be the answer, according to researchers at *Forrester Research* af Cambridge, Massachusetts. "Tbe old, 'one machine, ane licence' system is inadequate, difficult to manage and ill-matched to the growing population of PCs in U.S. companies," says Mr John McCarthy who recently completed a study of the issue. A sample af 1,000 large U.S. companies strongly favoured company-wide liceacing, he reports, with 66 per cent in *favour of* company licencing, 27 per cent for site licencing and only 7 *pe rcent for licencing* on a PC by PC hasis.

Forrester's report *forecasts* two new licencing schemes. By un-hundle software from documentation and support, with each af the three pieces purchased separately, the researchers predict. Beyond 1987, *they* expect software to be down-line laaded from local *departmental processors*, on o "pay for play" hasis. Such schemes will eventually reduce software prices.

"Innovative software companies which offer new user licencing agreements will use *them* as strategic weapons against the ald guard—Lotus, *Asbton-Tate and Microsoft*," saya Mr McCarthy.

Sourcing agreement bears fruit

MOTOROLA and Hitachi bave annonneed a new version of the Motorola 68000 16/32 hit microprocessor build in CMOS technology. The product is the fruit of the companies' 1979 second *source* agreement.

CMOS technology is much *favoured these* days because it has much lawer power requirements than nMOS circuitry.

The 68HC000 needs less than 40mA of supply current, giving significant system cost savings and improved reliability.

The chip is expected to be used by designers of high *performance* computer peripherals, industrial controls, *instrumentation* and communications equipment. It also makes *possible new kinds* of portable compnters and peripherals.

Motarola provided the archllecture, instruction set and logic, Hitachi the CMOS fabrication technology.

How a U.S. space centre will recognise its staff

THE U.S.'s new military space command centre near Colorado Springs will use the latest technology in its hid to keep out unwelcome visitors.

Security guards at tbe $1bn Consolidated Space Operations Ceotre, which starts full operation next year, will use equipment to check the weights of people entering the centre and the colours and shapes of their eyes.

These readings will be matched with individuals' records stored in magnetic form on plastic cards similar to a bank card.

Any legitimate employee who suddenly put on weight *after* a heavy meal, for instance, or took to contact lenses which changed his eyes colour could find entering the hase difficult.

By 1990, the base, to be run by the U.S. Air Force Space Commond, will bouse 3,300 people who will control military *flights of the U.S. fleet of space* shuttles and supervise orhiting military satellites like the new set of navigation vehicles called the Global Positioning System.

The main building in the one square mile base, part of the *Falcon Air Force Station*, is a huge operationa ceotre with 350,000 square feet of control rooms and offices on three storeys. The building is coated with electrically conductive material to stop electromagnetic radiation from the interior leaking outside and providing information to humen eavesdroppers and sensors on Soviet spy satellites.

Controllers in the centre will supervise operations of Milstar, a new generation of communications satellites which should start operating later in the 1980s to link U.S. forces around the world with home-based command posts.

The base will have its own diesel-driven generator system and will store 1.3 million gallons of fuel—enough to provide electricity to maintain operations for 30 days in the event of a war in which electricity from the public *supply* is unavailable.

IBM's Teamwork aims at an accounting market

IBM's moves into the personal computer software market continue with IBM Teamwork, a suite af multi-user accounting software programs which run an the IBM Personal Computer Netwark.

Teamwork has been written for IBM by Pegasus Software, *authors of the most popular* microcomputer accounting software in the UK.

A version of this *software*, Pegasus PC, is already available for the PC; Teamwork—comprising sales, purchase and nominal ledger, invoicing/sales arder processing and stock control—is intended far large arganisations with *more sophisticated data* processing requirements.

All the modules integrate with one another but may be used *independently*. Each application costs £500 and a system pack needed ta run any application is £100.

IBM is also distributing AutoCAD, an innavative two-dimensianal drafting system *for architectural, mechanical* and civil engineering opplicatiaus. It acts as a "word processor" *for* drawings, IBM says, allawing the user to create and edit drawings of any size and to any scale. The program, which runs on the hard disk PC *family* with a *minimum of 384K of* RAM, costs £2,000 ex VAT. IBM *suggests 640K of RAM is* needed to make the best use of the pragram.

AntoCAD, which is written hy Antodesk, can be used on its own or in combination with the IBM PC Science and Engineering series.

IBM saya that these *computer programs can be used* ta prepare initial designs af huildings, check the proposed structure using programs like Analyse and Steelware, and return to AntoCAD ta prodnce detailed drawing plans. Input is via the keyhoard, a mouse or a digitising tahlet; antpnt can be on a wide variety of platters.

Trojans in the N. Sea

A GROUP of Trojans is working under the Narth Sen *in* ail and gas develapment activities for BP and Saga. Trojan is the name of a new type of unmanned submarine developed by Slingsby Engineering (part af London-based British Underwater Engineering) that can aperate to depths of 1,000 metres.

The 1.7 tonne vessels are powered hydraulically and commanded by an operator on the surface who relays instructions to the submarine by fihre-optic cables. Trojan cantains a manipulator or claw which can grab items—pipework, *for instance*—to hring them to the surface.

Graphs in your pocket

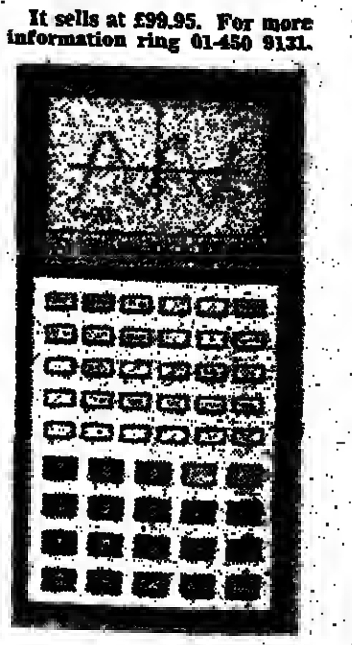
GRAPHIC presentation of data is now available in what is probably its most compact and portable farm yet with the introdnctian of Casios FX7000G (right).

The company has managed to sqneeze into its latest pocket calculator a LCD screen 35mm by 52mm to accommodate 63 x 95 dot graphics ar eight lines of 16 alphanumeric characters. The calculator can chart statistics and plot data *on* this screen, as well as *offering* the functions of a programmable scientific calculator

The device can plot data entered as a series of x and y points, so the user can judge whether the best shape of fit is likely *to* be o straight line, a single exponential or a double exponential curve.

The FX7000G is equipped with 82 pre-programmed scientific functions and can directly draw graphs of 20 of them.

It sells at £99.95. For more information ring 01-450 9131.



THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Corporate renewal

How Courtaulds is spawning a new breed of manager

BY CHRISTOPHER LORENZ

A FEW months ago Gossard, one of Britain's best-known makers of brassieres, launched a new range of co-ordinated lingeria under the doubly evocative name of "Lace." Now it is about to move into a slightly higher market segment with a line of bras, slips, briefs and French knickers bearing the Joan Collins pseudonym of "Alexis."

Strange though it may seem, both moves owe their provenance less to the blockbuster success of Shirley Conran's novels and TV's "Dynasty" than to the down-to-earth teachings of a group of business school professors.

Three years ago this month John Hall, now Gossard's managing director, attended an intensive fortnight's indoctrination in business strategy which Professor John Stopford of the London Business School organises every September for a handpicked group of managers from Courtaulds, the UK textile-to-chemicals group. Its textiles interests, which include Gossard, constitute the largest textiles concern in Europe.

Among the many lessons Hall says he learned at that Courtaulds management seminar were the techniques of precise market segmentation, the need to know exactly who your customers are (or who you want them to be), the vital importance of understanding your competitors in detail, and the value of developing crystal-clear strategies which are debated openly with your managers.

As a result of that experience, Hall instigated a dramatic upgrading and expansion of his company's marketing skills, including in-depth market research which for the first time told Gossard who most of its customers were: not the socio-economic class "As" and "Bs" it had always assumed (its products have always been pitched relatively up-market), but "C1s" and "C2s."

"Without that information, we wouldn't have gone ahead with our new ranges with the same confidence, conviction and investment," says Hall.

Though particularly pointed, the Gossard story is only one of many instances of the contribution that the management seminars have made to the professionalisation of Courtaulds managers since the company barely survived a disastrous slump at the beginning of the 1980s.

Like many companies in Europe, Courtaulds has until very recently been short of managers capable of pursuing as sophisticated strategies as their American and Far East competitors, both at home and on an international front.

But unlike the management education programmes of many companies, which are often hit-and-miss affairs with little lasting effect, the Courtaulds seminars have contributed to a measurable increase in the rigour, sophistication and clarity with which many of its managers now take decisions. Even now, many participants on the first two seminars, in 1981 and 1982, can join with John Hall in pointing to a host of ways in which the experience improved their ability to cope with all the day-to-day challenges posed by the explosion of intense international competition amid a slowdown in world growth.

Sir Christopher Hogg, a Harvard Business School graduate who initiated the seminar in 1981, two years after he had taken over as Courtaulds chairman and chief executive, describes the task of changing the way managers think and act as "one of the prime tasks of management, and one that is very hard to accomplish."

Despite the success of the seminars, Hogg is at pains not to exaggerate their impact. He points to all the other factors that have also contributed to a change in managerial behaviour at Courtaulds in the past five years, including the mind-concentrating pressures of competition in a vicious market-place, much greater delegation of responsibility to a newly-decentralised corporate structure, the setting of clear and tough objectives, and the use of strategy consultants such as McKinsey and Kepner Tregoe to reinforce the professionalisation drive. "Lots of things have been happening, and reinforcing each other," says Hogg.

Describing the impact of the seminar as "modest but crucial," Hogg says it has helped shift management thinking in Courtaulds away from its traditionally inward-looking preoccupaton with production; it has equipped executives with new tools of analysis, and especially with new ways of thinking about the competition; it has helped create the much greater openness that now characterises communications up and down the company; and it has given him a way of reaching down the line—"something that isn't easy to do if you don't want to be dictatorial." All too often, he says, communicating downwards from the top of a company "is like shouting into a void."

Certainly the comments of seminar participants include a remarkable proportion of born-again declarations such as "I emerged a different person"; "I suddenly saw the light"; "It made me realise that seat-of-the-pants management is no longer enough"; and "It shortened everyone's learning curve by up to 10 years." Even the more restrained participants have little but praise for what they were taught in the classroom, and for its continued usefulness ever since in the real world outside. *(See columns 7 and 8 for the views of some of them.)* factors.

In specific terms, Mike Woodhouse, chairman of two of the group's seven operating boards, Fibres and BCL (formerly British Cellophane), says that before the seminars started "there was no real understanding of competitor analysis." Nor, he says, was there much comprehension in Courtaulds "of the Boston Consulting Group theory of competition"—that is, the "experience curve" of low-cost manufacture, and its relationship with the concept of business portfolios.

The basic principle of the experience curve is that the real cost of adding value falls by between 20 and 30 per cent with each doubling of accumulated experience, as defined by a composite measure of various factors. It is closely related to the portfolio matrix concept, in which the competitive position of a business is plotted against market growth.

Woodhouse is more immediately forthright than Hogg in his view that "the seminars have been a significant factor in changing the culture of the company," and in stating that Hogg's aim in launching the seminars "was to build a cadre of people with the same approach to business as himself."

To Dr Norman Wooding, who has worked at Courtaulds for over 40 years, and is now one of the group's two deputy chairmen, the seminar series "is part of a total determination to raise standards throughout the company. We've all been pleasantly surprised by its success." Even among managers who have not attended it, he says it has created a cumulative "ripple effect" across the group. "There's now an air of confidence around that there wasn't two years ago. People know what they're doing better, and they're getting better results."

Given the hit-and-miss record of much education in improving the way managers manage and the natural limitations of any two-week course, how can the Courtaulds seminars be such an exception?

The most obvious factor has been Hogg's own commitment to them. Whatever he may say about the problems of communicating messages downwards through an organisation, he commands such an intense degree of respect down the line at Courtaulds that the imprint of his personal stamp on any initiative gives it very considerable weight.

Then there are all the other mutually reinforcing factors to which Hogg refers. But the success of the seminars also owes much to their careful design. Professor Stopford spent two years in and out of the company before the first one was held in 1981, and has continually updated and improved them ever since.

Stopford is clear that "effective in-company education can only work when it goes with the grain of other developments. There is such limited time available for formal instruction that ways must be found of levering the effect by linking classroom discussion to immediate business needs."

Among various changes to the seminars' programmes, greater emphasis has been placed on financial management, which Stopford discovered was a weak point among many of Courtaulds' unit managers. There has also been a fairly rapid turnover of the case studies and teaching staff, and over the past two years the balance of teaching has been shifted from strategic analysis and planning to the organisational problems of implementing strategies.

Much of the seminars' effectiveness is attributed by Geoffrey Burch, Courtaulds director of management development, to the efforts which are made every year to ensure relevance not only in general terms, but also to the participants' particular set of businesses. Everyone attending is provided with a personal diary in which to jot down "action points," both for themselves as individuals and for their businesses. Within a year of attending, participants discuss with Burch or one of his colleagues how they have applied their learning.

Not everything has been plain sailing, however. The seminars were suspended for a year in 1983 to allow managers who were more senior than the seminar participants—most of whom are from the third or fourth layers of management—to attend a series of condensed seminars. Until then, many participants had complained that their efforts to apply what they had been taught were being blocked by their superiors.

There is also some feeling that most product groups could do more to reinforce the impact of the seminars. Only one group, BCL, consciously encourages a network of seminar alumni by holding annual follow-up meetings. A number of participants is also now suggesting that the "critical mass" of strategically competent managers could be enlarged more rapidly if mini-versions of the seminars were organised for their subordinates as part of the expanding menu of courses offered by Courtaulds' training centre near Warwick. The International Paint product group has already developed programmes of this kind.

Such caveats apart, there is every evidence that the seminars have played a central part in the dramatic improvement in Courtaulds' professionalism in the past five years. "We've gone 35 yards out of 100," says Hogg. He thinks the next 35 may be easier, but stresses that there is still a long way to go. "People are very slow to come to fruition in strategic management. There's no way you can hurry it because there's no way of shortcutting experience."

Breaking out of the circle of convention

To Derek Twogood, one of the many lessons of the 1982 management seminar was encapsulated in the twin maxims "create dangerously" and "don't just think—do something!" Amid all its emphasis on rigorous analysis of strengths and weaknesses, on experience curve effects, and on all the other apparatus of strategic analysis, he says the seminar was very action-orientated. He recalls with crystal clarity its repeated stress on the need to learn through personal failure, as well as success, and on the virtues of breaking out of the circle of convention.

> The seminar 'improved my discipline in assimilating the key facts from a mass of reading matter and my ability to apply the tools of strategic planning'

For someone brought up on the old Courtaulds way of management, where initiative was largely confined to the centre, and was applied in an often dictatorial manner, this was heady stuff. In many ways Twogood represents the archetypal Courtaulds manager — straight from school into the services or employment, with little further education along the way, learning the complexities of management through a mixture of on-the-job experience and applied commonsense.

In his mid-50s when he attended the seminar, Twogood had just presided (like many of his peers) over the closure of a large fibres plant. A survivor of the mass redundancies which accompanied Courtaulds' crisis in 1979-80, he was put in charge of the carbon fibres division, a potential fast-growth business which had been languishing in the shadow of its ailing textile parent. Now, with the help of a clear and focused strategy of concentration on particular technologies and markets, his unit is growing fast, and becoming a star performer within the Courtaulds portfolio.

The same is true of Amtico, a vinyl flooring maker which forms part of Courtaulds' National Plastics subsidiary. John Harris, its chief executive, then in his mid-40s, was another participant at the 1982 seminar. For Harris, a born entrepreneur who has never had difficulty practising the virtues of being "close to the customer" and watching the competition like a hawk, the main benefits of the seminar were that "it much improved my discipline in assimilating the key facts from a mass of reading matter," and that it improved his ability to apply the various tools of strategic planning. These and other benefits were "tremendous," he says.

For Sandy McDonald, then in his mid-30s, the seminar served a more fundamental purpose, of helping transform him from functional specialist into general manager. An economics graduate who later qualified as an accountant, McDonald had risen to the position of finance director of a sizeable Courtaulds subsidiary before deciding to take the plunge and become a generalist.

Since last year he has been in charge of three small companies in the childrenswear section of Courtaulds contract clothing group. Like Twogood and Harris, McDonald talks avidly of the way his companies are becoming more responsive to customer needs.

With a more naturally analytical mind than many Courtaulds managers, he had familiarised himself with the latest American concepts of competitive strategy several years before attending the seminar. But he still found that "it made me better able to manage — in all sorts of ways." In particular, he felt that it built his confidence (and competence) in choosing between conflicting priorities.

Despite his relative lack of managerial experience, McDonald's comments after the seminar raised a set of unusually perceptive — and awkward — questions for Courtaulds senior management. Not all of them have yet been fully resolved. He argued, for example, that the company's control systems were not flexible enough, and that cash ratios and various procedures tailored to the control of Courtaulds' many mature businesses were stifling growth elsewhere.

THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
27	28	29	30	1	2	3

Exhibitions

TOKYO

Spanish Paintings of the 16th and 17th centuries: 45 oils by masters such as El Greco, Murillo, Velasquez, Zurbaran. Religious paintings dominate, but the exhibition is well designed, heavy, dark paintings relieved by the light decor and simple lines of the gallery. The bizarre but powerful Bearded Mother of Jose de Ribera is interesting. Seibu Art Museum. Seibu Department Store. Ikebukuro branch. Ends Oct 13. Closed Thur.

Modigliani: 130 works in oils, watercolours, and sculptures. National Museum of Modern Art, Kitanomaru Park (near Palace and Imperial Hotels and parts of Tokyo's oasis near the Imperial Palace). Ends Sept 29.

NEW YORK

Metropolitan Museum of Art: The travelling show India, arrives from Washington with 350 examples of six centuries and oumerous flourishing periods of art and craft. Ends Jan 5.

National Academy of Design: Culled from the larger Royal Academy exhibit, *this view of* Edward Lear's prolific career covers not only the famous illustrated limericks and verse but also landscapes and ornithological studies. *Ends Nov 3.*

WASHINGTON

National Museum of American Art: 35 paintings by Alexander Hogue capture the American Southwest through dustbowl and prairie in highly stylised evocative works from the 1920s to the present. Ends Nov 3.

PARIS

Medieval Art in Paris: The Abbots of Cluny built their magnificent late Gothic town house in the heart of the Latin Quarter on the blackened ruins of Roman Baths. Now a museum, it houses medieval works of art: Goldsmiths' work, carved altarpieces, ivories, fabrics, with two English Royal standards embroidered in gold on red velvet. In a rotunda of its own is a set of the Lady and the Unicorn mille fleurs tapestries – an allegory of the five senses, one of the masterpieces of medieval art. Musée de Cluny, Place Paul-Painlevé, Métro Odéon.

Perfume: An enchanting exhibition in praise of perfume assembles 550 objects, mostly phials, bottles and perfume fountains from the 16th to the 19th century. Some were made of Viennese porcelain, others of Bohemian cut glass or from gold and enamel in England. There are silver pomanders with petals opening up and Chelsea china statuettes. They all show exquisite workmanship and some of perfume's power to beguile. Le Louvre des Antiquaires, 2 Place Palais Royal. Ends Sept 29.

NETHERLANDS

Amsterdam, Stedelijk Museum: Posters *illustrating* the work of a new generation of Japanese designers and art directors. Ends Oct 27.

Nijmegen, *Commanderie van Sint Jan.* From 1960 to 1974 Joseph Beuys made a trademark of crosses in brown paint. The present Braunkreuz exhibition *traces the evolution* from the single cross used almost as an afterthought to the high reliefs of the *later panels. Ends Oct 13.*

The Hague, Gemeentemuseum. A glimpse behind the scenes of 18th-century opera production, with prints, drawings and scale models illustrating set design, costumes, stage machinery, and the use of gesture to heighten the dramatic action. Ends Nov 10.

Eindhoven, Van Abbe Museum. The museum's collection of works by the Russian Constructivist, El Lissitzky (1890–1941), comprising 85 gouaches, watercolours, drawings and etchings, is on view until Oct 13.

Haarlem, Vleeshal (Grote Markt). Designs for wall and ceiling paintings from art dealer Lodewijk Houthakker's famed collection of architecture drawings. Idyllic landscapes, *trompe l'oeil* architecture and fluttering cherubs from the 16th century to the present day by figures as *diverse as Veronese, Viollet-le-Duc* and Otten Husley. Ends Oct 6.

WEST GERMANY

Münich, Villa Stuck, Prinzregentenstr. *60:* A retrospective of the works of Otto Dix with 472 oil paintings, aquarelles, graphics and drawings from between *1891-1969. It* is the biggest assembly of his works ever. Ends Oct 27.

Emden, *Ludolf* Backhuysen-Gesellschaft, Rathaus am Delft retrospective of Ludolf Backhuysen, born in Emden, with his characteristic sea and city landscapes from 1631 to 1708. Ends Oct 15.

Hildesheim, Römer und Pelizaeus-Museum, Am Steine 1–2: Nofret, the exhibition covering Women in Egypt. For its last stop in Germany, the exhibition will carry 177 pieces, an extra 96. Some 30 objects are on loan from the Egyptian Museum in East Berlin. It is the biggest assembly of Pharoan Art. Ends Nov.

Aachen, Suermondt-Ludwig-Museum, Wilhelmstr. 18: 100 drawings, water*colours and plastics from Joseph* Beuys, covering the fifties and sixties. Ends Sept 29.

ITALY

Florence: Museo Archeologico (*Piazza* SS. Annunziata) – The Etruscan Civilization: This is the first of a long series of exhibitions to mark The Year of the Etruscans, and shows the results of the most recent research into the Etruscan world. A useful history of this civilization's birth, development and decline. Ends Oct 20.

Florence: Palazzo Pitti (Sala Bianca): Modern masters from the Thyssen-Bornemisza collection: The pleasure to be had from this remarkable exhibition is that it reflects the taste and prejudices of one individual: one of the few left who can afford Corot, Manet, Gauguin, Picasso – and who is generous enough to send them to be exhibited in France, England, the U.S., Australia, Japan, and now Italy. This same collection, with a few exceptions, was seen at the Royal Academy in London last autumn. Ends Sept 29.

Rome: Palazzo Venezia (Piazza Venezia 3): Paesaggio Con Nigura – 57 works from the Borghese collection. The Villa Borghese, which houses one of the best patrician art collections in Rome, is likely to be closed for repairs for at least another year and some of the gems from the collection have been transferred to this site for the summer. Includes works by Titian, Veronese, Domenichino, Caravaggio and Dosso Dossi. Ends Sept 30.

Venice: ca' rezzonico: Warsaw 1764–1830: From Bellotto to Chopin. A vast exhibition in a splendid setting, organised by the Polish Ministry of Culture and the Italian Institute in Warsaw: paintings, drawings, architectural designs, jewellery and furniture lent by Polish museums, from a troubled, but highly creative, period of Warsaw's history. Ends Nov 20.

BRUSSELS

Opera costumes from 1959 to the present including Zeffirelli's Rigoletto, Bosquet's Traviata and Karl Ernst Herreman's Clemency of Titus. Musée de Costumes et Dentella. Until November.

SWITZERLAND

Martigny: Fondation Pierre Gianadda: 250 Klee paintings in the striking modern gallery built over the Roman ruins of the city of Octodurus. Ends Nov 3. (026/23978).

VIENNA

Vienna 1870–1930: Dream and Reality: The greatest names of the Viennese fin-de-siècle – Klimt, Otto Wagner, Schiele, Kokoshka, Aldolf Loos, Josef Hoffman – in a dazzling display of Jugendstil creative genius. The attempt to integrate the artistic achievements of this era with philosophical developments (notably Wittgenstein but also Freud) and political transformations (the emergence of municipal socialism on the ruins of Baroque splendour) is ambitious and only partly successful. The complex tension between autocratic and censored reality on the one hand and the illusions or fantasies of individual artists on the other is hinted at but not fully explored. A high point of the show is a reconstruction of Hoffman's room at the secession exhibition of 1902. Here, triumphantly restored, is Klimt's fifty-foot Beethoven frieze depicting humanity's progress through suffering to joy on the theme of the Ninth Symphony. Displayed exactly as intended, this alone is worth a special visit. Kunstlerhaus. Ends October 6.

PICASSO'S PICASSOS

The 17th-century Hotel Salé, sumptuously restored, provides a fitting home for the world's largest collec*tion of Picasso's work given to the* French state by his heirs in settlement of death duties. It comprises 203 *paintings,* 158 *sculptures* and more than 3,000 drawings and engravings, 16 collages and 88 pieces *of ceramics, all of which Picasso* had kept in his atelier.

The collection of paintings *ranges from 1901, the year of his ar*rival in Paris to his last works finished barely more than ten years *ago. His prodigious creativity is ref*lected in works ranging from Analytical Cubism to a neo-classical *style, from corrosive paintings* reacting to the horrors of war to pastoral ones expressing his newfound joie de vivre. There are the themes of minotaur and the corrida, portraits of his wives and of the women who shared his life.

The ensemble of his sculptures is, however, quite unrivalled, since it represents all his works, including all the pieces from which he could never part.

The donation is completed by Picasso's collection of paintings by his friends, such as Braque and Matisse, or by artists he admired – Renoir, Cézanne, Douanier Rousseau.

Müsée Picasso, Hotel Salé, 5 Rue Therigny, Paris 3E (2712521) Inaugurated by the French president on Sept 23, opened from Sept 28. Will be closed on Tuesdays.

MAGDA HAMSHER

Music

PARIS

Ivo Pogorelich, *piano:* Bach, Beethoven, Chopin (Mon). TMP-Châtelet (2334444)

Ornette Coleman: *Skies of America* Symphony conducted by Cyril Diederich (Mon). Théâtre des Champs Elysées (7234777)

Orchestre National de France conducted by Lorin Maazel: Berlioz, Ravel, Debussy (Wed). Théâtre des Champs Elysèes (7234777)

Orchestre de Paris conducted by Daniel Barenboim, Claudio Arrau, piano: Liszt, Brückner (Wed). Salle Pleyel (5610630)

Orchestre de Paris, Ensemble Intercontemporain, Pierre Boulez as conductor, Daniel Barenboim as conductor and piano soloist, Salvatore Accardo, violin, Albert Tetard, cello: Boulez, Berg (Thur). Salle Pleyel (5610630)

LONDON

English Chamber Orchestra conducted by Paul McRae with Stoika Milanova, violin: Mozart, Respighi and Stravinsky. Barbican Hall (Tue). (6388891).

London Symphony Orchestra conducted by Claudio Abbado with Jessye Norman, soprano and Maurizio Pollini, piano. Berg, Ives, Mahler and Brahms. Barbican Hall (Thur).

NETHERLANDS

Amsterdam, *Concertgebouw.* Recital Hall: Noël Lee, piano. Debussy (Mon). (718345).

Utrecht, *Muziekcentrum Vredenburg.* Guitar recital by Sergio and Odair Assad. Brouwer, Sor, Rameau, Piazolla (Tue). Anthony and Joseph Paratore, two pianos. Berg, Ravel, Barber, Schönberg (Thur). (314544)

Nijmegen, Concertgebouw *De Vereeniging.* The Aachener Bach Collegium. Bach, Telemann (Tue). Guitar recital by Sergio and Odair Assad (Wed). (221100).

The Kodo drum ensemble from Japan performs Monday in Amsterdam, Carre Theatre (225225), and Wednesday in Utrecht, Muziekcentrum Vredenburg (314544).

VIENNA

Stefan Askenase, *Piano.* Chopin, Musikverein (Mon).

Youth Chamber Music: Bach, Musikverein Brahms-Saal. (Mon).

NEW YORK

New York Philharmonic (Avery Fisher Hall): Zubin Mehta conducting, Nikita Magaloff pianist: Schnittke, Rachmaninov, Stravinsky, Tchaikovsky (Tue); Zubin Mehta conducting, Hermann Prey baritone. Schumann, Schubert (Thur). Lincoln Center (8742424)

Carnegie Hall: Concertgebouw Orchestra of Amsterdam conducted by Bernard Haitink. Haydn, Mahler (Thur). (2477459)

CHICAGO

Chicago Symphony (Orchestra Hall): Sir Georg Solti conducting Andras Schiff, piano, with Women of the Symphony Chorus. Dohnanyi, Debussy, Tchaikovsky (Thur). (4358122)

TOKYO

Deutsche Bachsolisten (conducted by Helmut Winschermann): in all-Bach programme. Tokyo Bunka Kaikan. (Mon) (5711689)

Hiromi Okada (piano): Schubert, Schönberg, Beethoven, Shinjuku Bunka Centre Hall. (Mon) (2351661)

Teiko Yanagui *(soprano)* in recital of Spanish song. Asahi Hall (11th floor new Mullion Building: Yurakucho, near *Imperial* Hotel and Ginza. (Mon) (4038011; 2379990)

Opera and Ballet

LONDON

Royal Opera, Covent Garden: the second new production of the Royal Opera season is no less unusual than the first – a staging (borrowed from the Hamburg Opera) of two one-act operas by Zemlinsky, a late-Romantic Viennese composer recently rediscovered and celebrated. The casts for A Florentine Tragedy and the Wilde-inspired Birthday of the Infanta include Isobel Buchanan, Claire Powell, Kenneth Riegel and Guillermo Sarabia; Colin Davis conducts. Further performances of Rossini's Barbiere, revived in last year's successful new production, with Thomas Allen the brilliant Figaro and Keith *Lewis* the *new* Almaviva. (2401066)

PARIS

La Belle Hélène conducted by Yan *Pascal Tortelier/John Burdekin* in Jerome Savary's production with Sandra Brown/Madelyn Renee in the title role, Jerome Pruett/ Georges Gautier as Paris and Marie-Christine Porta/Veronique Dietschy as Oreste inaugurates the new season at the Opéra Comique. (2960611).

Martha Graham Dance Company. Music by Gian Carlo Menotti, Igor Stravinsky. Paul Hindemith and Carol Nielsen. TMP-Châtelet. (2334444).

WEST GERMANY

Berlin, Deutsche Oper: Fidelio, a Jean Pierre-Ponnelle production, has Peter Hofman as Florestan and Ingrid Bjoner. Lucia di Lammermoor features *Karin Ott and George Fortune.* The Magic Flute brings together Lucy Peacock, Elfie Hobarth and *Bengt Rundgren.* (34381)

Hamburg, Staatsoper: Die Entführung aus dem Serail conducted by Ferdi*nand Leitner. The cast includes* Karen Huffstodt, Lillian Watson and Kurt Moll. (351151)

ITALY

Milan: Stabilimento Ansaldo: (Via Begonone 34): Luigi Nono's opera prometeo, conducted by Claudio Abbado, (alternating with Roberto Cecconi) with the Warsaw Orchestra and Freiburg Choir (under the aegis of the *Scala* – but performed in a hangar belonging to the engineering company). The opera had its world premiere *last September* at the Church of San Lorenzo in Venice. (809126)

Rome: Teatro Orione (*Via Tortona 3*): A new, young company Nuovi Vici Nel Mondo directed by Antonietta Stella with a series of old favourites: La Boheme, Madame Butterfly, Rigoletto. (776960).

SPAIN

Seville, The Spanish *National* Ballet: Concerto Barroco. Choreography by George Balanchine to Bach: Claustro del Monasterio de San Jeronimo de Buenavista. (Tue).

NETHERLANDS

Amsterdam, Stadsschouwburg. The Netherlands Opera launches is new season with a double bill, Zemlinsky's Geburtsdag der Infantin and Dallapiccola's Il Prigioniero directed by David Allen, sets and costumes by *Frank Raven. Edo de Waart* conducting the Netherlands Philharmonic, the Opera Choir under Johannes *Mikkelsen. Casts* headed by Neil Rosenshein and Thea van der Putten, and Els Bolkestein and Jan Derksen (242311).

Utrecht, Muziekcentrum Vredenburg Dance of the Nagas from India (Tue). (314544).

VIENNA

Staatsoper: (5324/2655): Donizetti's Maria Stuarda conducted by Fischer with Baltsa, Gruberova; The Barber of Seville conducted by Zedda; Smetana's Die Verkaufte Braut conducted by Kout with Popp, Lotte Rysanek, Ridderbusch; Die *Entführung aus dem Serail* conducted by Schirmer with Ghazarian.

NEW YORK

Metropolitan Opera (Opera House): *Der Rosenkavalier joins* the season, conducted by James Levine with Tatiana Troyanos, Gwyneth Jones, and Kathleen Battle. The week also has Tosca conducted by Carlo Felice Cillario with Montserrat Caballe, Luciano Pavarotti and Cornell MacNeil as well as Jenufa conducted by Vaclav Neumann of the Czech Philharmonic and Falstaff in Franco Zeffirelli's production conducted by James Levine. Lincoln Center (3626000)

Theatre

TOKYO

Kiss Me Kate: the Japanese version of Cole Porter's musical starring Chieko Baisho. Theatre Apple, Shinjuku. (2075588).

WASHINGTON

Count of Monte Cristo (Eisenhower): The second production of Peter Sellars' new American National Theatre company is the James O'Neill version of this swashbuckler. (2543670).

NEW YORK

As Is (Lyceum): The first play about AIDS makes gestures toward the whole community the disease affects and focuses effectively on the victim and his protective lover; but this Circle Rep production also has distracting artistic touches to patch over the play's lack of development once the disease is diagnosed. (2396200).

I'm Not Rappaport (American Place): A better title might have been Mensch on a Bench for Herb Gardner's touching, funny and invigorating play about two oldsters embodied in Judd Hirsch and Cleavon Little who almost conquer the world when they think they are just bickering with each other. (8694731).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually *startling* and choreographically feline, but classic only in the sense of a rather staid *and overblown idea of theatricality.* (2396262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (9779020).

Brighton Beach Memoirs (46th St): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love *with his cousin.* (2211211).

A Chorus Line (Shubert): The longest-running musical ever in America has not only *supported Joseph* Papp's Public Theater for eight years but also updated the musical genre with its backstage *story in* which the songs are used as auditions rather than emotions. (2396200).

NETHERLANDS

Amsterdam, Carre Theatre: Ik Jan Cremer, a new rock opera charting the amorous exploits and general hell-raising of the Dutch *enfant terrible* of the 1960s. Directed by Franz Marijnen from a script by *Lennart Nijgh and Louis Ferron,* with score by Gerard Stellaard and Peter Tuinman in the title role (all week except Mon). (225225).

Nijmegen, Schouwburg. Jango Edwards, the modern clown, exercises his fertile imagination in Nightmirrors, tales from the twit (Tue). (221100).

LONDON

Noises Off (Savoy): The funniest play for years in London, now with an improved *third act. Michael Blakemore's* brilliant direction of backstage shenanigans on tour with a third-rate farce *is a key factor.* (8368888).

Starlight Express (Apollo Victoria): *Andrew* Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a *dwindling* reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (8348184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (8368108).

The Mysteries (Lyceum): The theatre of Henry Irving and Joe Loss restored for theatrical performance after 40 years. Bill Bryden's NT production in three parts is not to be missed, one of the great events of recent years. All three shows played on Saturdays for this limited run. (3793055).

THE ARTS

Cinema/Nigel Andrews

King Lear in a Japanese frame

A scene from "Ran," by Japanese director Akira Kurosawa

Ran, directed by Akira Kurosawa
The Hustler, direted by Robert Rossen
Camila, directed by Maria Luisa Bemberg.

There are few film-makers for whose latest film almost the entire cinematic world holds its breath. Akira Kurosawa's *Ran* has at last opened in the West, in Paris, and it would have allowed us all to breathe freely again, did not one dazzling image after another snatch our breath away in this 2½-hour Orientalisation of *King Lear* filmed in 70-mm with Dolby sound and first unveiled last Friday in a screening on the façade of the Pompidou Centre (!) before 4,000 people.

As *Kagemusha* showed, Kurosawa is a director who becomes more godly rather than more gaga in old age. Here he has leant down from the clouds over Mount Fuji, extending his compasses over the ashen slopes where most of the movie is shot, and measured out a glittering tragedy. *Ran* is full of the elemental imagery and heaven-challenging harshness we associate more with Shakespeare's plays or Michelangelo's paintings than with any film-maker past or present, Eastern or Western.

His "Lear" is a 70-year-old warlord Hidetora (Tatsuma Nakadai of *Kagemusha*), who in strife-torn 16th-century Japan hands over his kingdom to the eldest of three sons. Only the youngest son protests against this gesture as a wilful old man's folly and is, Cordelia-like, banished.

With the difference that Shakespeare's three daughters have changed sex, *Ran* closely follows *Lear*. There is a Kent, a Fool, a storm scene, a "poor Tom" and a tragic last-act convergence of reunion and death. The lack of a Gloucester subplot is made up for by the prancing, keening cruelty of the film's leading lady, Hidetora's daughter-in-law (Mieko Harada). This lily-white Gorgon with the sweetest simper and high-flying pencil eyebrows rejoices in severed heads and sudden death and undoubtedly drinks blood for brunch. Her own demise is apt and unforgettable: a giant spray of blood against a white wall as a sword cleaves the air and an unseen neck is severed.

But *Ran* is never merely a splatter movie for the art-house set. The long central battle scene, with Hidetora hunted by his own sons in a smoking castle while his followers fall to hailing arrows or the puff of muskets, is played like a *danse macabre*. Sombrely mesmeric music drown all but the keenest sound effects, until the music finally and abruptly clears—like the smoke itself—to show Number One Son toppled from his horse by the thump of a bullet and a flower of blood spreading in his back.

There are only two major disappointments in the film. The "mad scenes"—Lear and the Fool amid the white flowers on the mountain slopes—seem winsome and sentimental in Kurosawa's hands. (The Fool, played in quipping falsetto by a female impersonator called Peter, is clearly an acquired taste. I didn't acquire it.) And whenever Kurosawa relies on speechifying to punch up the film's cosmic rage or grief, all we get is much sub-Shakespeare rhetoric on the lines of "Oh, you Gods, why do you mock us?" etc.

But the uncontrollable splendour of the images keeps burning through the plainest surface. Musket fire spitting like flame-tongues through a giant wall of smoke; luminous mists luxuriating over the lava slopes of Mount Fuji; white-haired Hidetora huddled in his castle, his face a stricken tragi-comic mask as arrows whistle all about (here as elsewhere he seems as much Quixote as Lear); and the last shot of a lone figure tottering in silhouette on a broken, splintered sky-line against a lurid sky that suggests, along with Kurosawa's shots of menacing cloud formations strewn through the film, that this is a post-nuclear *Lear*, a *Ran* as much for the age of modern Tridents as ancient Titans.

*

London this week sees the return of Paul Newman and Jackie Gleason in *The Hustler*, Robert Rossen's lustrous tale of pool-playing, *chutzpah* and pupils outwitting masters, and the opening of a new Chevy Chase comedy *Fletch*. Since I have only seen the latter in an Italian-dubbed version at the Venice festival, I shall spare you my memories of that and see and review the film in English next week. Paul Taylor reports below on the week's other opening, *Camila*.

*

Argentinian cinema, which was virtually dormant during the dictatorships, is rapidly attaining a substantial international profile in the post-Malvinas era of political liberalisation. With *Camila* following *A Funny Dirty Little War* and *The Official Version* into British distribution, the automatic assumption on the European festival circuit that any Torre Nilsson title was sufficient representation of Latin American art-house cinema has apparently been overcome.

Camila briefly threatens to exude nothing more than surface art-house allure: as a soft-focus, summer-lit period piece it might appear at first to have adopted the languorous aesthetics of a James Ivory or a David Hamilton to seduce the regular patrons of mainstream cinema. But having been handed by history and folklore the tragic 19th-century love story of Camila O'Gorman and the young priest Ladislao Gutierrez, director Maria Luisa Bemberg (making her third feature at the age of 62) is not about to dissipate the gift in merely pretty imagery. Her full-blooded costume melodrama skilfully dissects the tripartite oppression that Camila's passion invokes: the litany of *in nominee patri* becomes a recurrent refrain as her father's inflexible notions of "the order of nature" fall into line with those of Church and State (the bloody dictatorship of Rosa's "Holy Federation").

(Susu Pecoraro) Camila daughter of a middle-class Catholic family in the capital, is initially inspired by her grandmother who is under life-long house arrest as a political prisoner and by a liberal bookseller, who is soon executed as a subversive. Confessing first her dreams and then her love to the new priest (Imanol Arias), whose pulpit compassion sets him apart from his ideologically malleable superiors, she initiates a "crime" of both passion and political sacrilege, and a flight that encompasses a brief idyll of freedom before ending abruptly in front of a firing squad.

Freed from censorship herself, Bemberg is both alert to, and unafraid to allude to, the modern parallels of the tragedy, and applies a distinct feminist cutting-edge to her narrative.

Paul Taylor

Les Liaisons Dangereuses/Stratford-upon-Avon

Michael Coveney

Christopher Hampton's new play for the Royal Shakespeare Company in the Other Place at Stratford-upon-Avon is a brilliant dramatisation of a novel published in 1782, banned in 1824, and subsequently filmed by Roger Vadim. The book was Choderlos de Laclos' one considerable claim to fame and it moved the epistilatory novel form as practised by Richardson and Rousseau to the brink of 19th century psychological narrative.

What Hampton has achieved is a bitter, flagrantly funny comedy of style and corruption that is like a synthesis of Marivaux and de Sade. The cen-Marquise de Merteuil (Lindsay tral duet are the profligate Duncan) and the dissolute, promiscuous Vicomte de Valmont (Alan Rickman). These former lovers are committed to personal indulgence masquerading as altruistic social work. Their prey is the 15-year-old Cécile (Lesley Manville), who, rather like one of de Sade's virginal guinea pigs, is to be educated in a wide variety of sexual habits for the gratification of her tutors and the convenience of her future husband.

Alastair Muir

Alan Rickman

At the same time, the Marquise is besieged by a wide-eyed Chevalier (Sean Baker), who loves Cécile, but is not her intended, while Valmont sets himself the parallel task of seducing the apparently impenetrable Mme de Tourvel (Juliet Stevenson), who is a house guest in the Bois de Vincennes. To this house, the characters gravitate from Paris, and Bob Crowley's simple but effective design of standing slatted screens and a cluttered Welsh wardrobe is easily accommodating of the various salons and bedrooms draped in white sheets and interspersed with *fin de siècle* chairs.

Just as Fidelis Morgan and Shared Experience forged a coherent whole out of *Pamela* earlier this year, so Hampton and the RSC succeed with the similar tactic of dispensing with the fictional letter form and going for theatrical broke. Doing without French letters, of course, results in pregnancy, but only after Hampton brings onto the stage the systematic rape scene lightly referred to in the original. The final duel too, is brought into full theatrical play and it is here that Rickman's wonderful performance achieves a jaundiced but nonetheless almost tragic apotheosis. Hampton follows the novel's sequence of events and genuine momentum, but he goes further than that in writing scenes of glittering dialogue and coruscating altercation between his two protagonists.

He is correct to show the rape. This is a piece about sexual as well as social experiment, callous exploitation for fun, deceit and obsession for real. Howard Davies's compelling and superbly acted production makes no bones about rolling a few pre-revolutionary drums as the action closes on the routine card game with which it began and as Mme Tourvel vacates the stage to go mad in a convent.

Valmont's dealings with de Tourvel are concentrated in several extremely powerful scenes; these run like a steel girder through a rotting and artificial edifice. Miss Stevenson and Hampton toughen up the Laclos character into a resistant, frightened victim, who collspses in vicious convulsions into Valmont's ever-available embrace, and is then unfortunate enough to believe that he loves her. The vortex of their relationship is cunningly interleaved with the languid barterings of Valmont and the coquettish, scheming, radiantly attractive Marquise of Lindsay Duncan, who is having quite a season as a merry wife and Helen.

Miss Stevenson's gale-force display pins you to the back of your skimpily padded bench, while Rickman, in his best performance of the summer, does ful justice at last to his indubitable talent for sexy indolence, daringly phrased outbursts of authority, and unbridled comic rage.

The battle of the sexes is as yet only a personal matter between the Marquise and Valmont, who indeed at many moments here resemble a more erotically charged version of Mirabell and Millamant. Sex rears its head all over the place, and Hampton has great fun with a scene featuring a bare-backed courtesan (Mary Jo Randle) doubling as a desk, while Valmont tosses off a missive in a state of what he can only describe as mounting excitement. He later defends that liaison as merely secretarial work.

It is all most handsomely costumed and very well lit by Chris Parry. Ilona Sekacz provides some poisoned harpsichord scene-change music, which is played by Roger Hellyer. This is the best new play of the year since *Pravda*, and it could be a close run to the winning tape.

*

I am told that Brabantio's "sooty bosom" line is not, in fact, one of the hundred cut from the RSC main stage *Othello* reviewed here yesterday. *Meo culpa*, or some such music to sooth the not too savage breast of director Terry Hands, who is confidently awaiting academic uproar in Milwaukee.

Washington NSO/Festival Hall

Dominic Gill

The programme books for the three-concert London tour of the National Symphony Orchestra of Washington DC this week open, somewhat bizarrely, with full-page, full-colour portraits respectively of His Majesty Qaboos Bin Said, Sultan of Oman, and Nancy Reagan. The pairing, for a few seconds, gives rise to all manner of fertile speculation. The facts are more mundane, but interesting: His Majesty subsidised the orchestra's visit to London, and has "dedicated" (with the prerogative of patronage) the three concerts to Nancy Reagan.

Washington's Symphony Orchestra is one of the admirable, rather than one of the great, American orchestras. The sound, and the presence, are not unlike those of the BBC Symphony Orchestra on one of its best days under John Pritchard: intelligent, well-organised, solidly expressive—but without much bloom or magic. That judgment is meant precisely, not dismissively: for the BBCO are a fine and admirable orchestra, and the National Symphony's performance of Shostakovich's Eighth which ended their first programme on Wednesday night was strong, well-made and uncommonly stirring.

Mstislav Rostropovich was the conductor. The Eighth is a difficult symphony to hang together, but Rostropovich's passion and energy of direction (more than his conciseness, of which there was less) gave a powerful coherence to the reading. The huge three-part first movement was alive with forward impulse, bursting into the two scherzos — the second especially a brilliant tour de force (the role of the splendid timpanist was as much visual as aural). The Largo and enigmatic finale spoke of tragedy, and absolution, with dignity — not with tears.

The evening had opened with a lively account of Rossini's *Silken Ladder* overture, and with a performance of Ravel's G major piano concerto by Martha Argerich that was, pianistically, near perfection—in every degree a perfect blend of lushness, wistfulness and sparkle.

Judy/Theatre Royal, Bristol

B. A. Young

"Judy" is of course Judy Garland, nee Gumm, and making an entertainment from such a character is a doddle. The songs are all ready-made hits. All you need is someone who can put them over in some way reasonably like the original. At Bristol they have Lesley Mackie, who has done it already in an earlier version of the show at Worcester a year or two ago. Lesley Mackie can give admirable imitations of Judy Garland, in her various incarnations as 12 year old, idle and arrogant 18 year old, occasional wife, spare time mother, drug addict, drunk, actress and singer. Terry Wale's script does not spare the Garland image, nor does John David's direction flatter the Garland acting, which was never anything much. What matters is whether Miss Mackie can make a job of the songs, and on the whole she certainly can.

Judy Garland's life was a succession of little tragedies, and to say that they were mostly her own fault is not so much unsympathetic as diagnostic. The real villains were the studios who trained her on pills—"downers" to make her sleep at night and "uppers" to boost her into the vivacity she charmed us with on the screen. Attempted cures were soon neglected, and she was back on her ration of handfuls of amphetamines.

Mr Wale tells it all without much extraneous colour under the outline, fearing no doubt the risk of withdrawing attention from his heroine, the only character fully built up in three dimensions. The best of the other parts are both played by Lewis Cowen, who is Louis B. Mayer, ruthless under his apparent benificence, and then Sid Luft, the only one of Judy's countless husbands who really did her any good. Mr Cowan also joins Miss Mackie in "a couple of swells," the evening's best number. There are delightful cameos by Caroline Holdaway and Alison Skilbeck as the gossip mongers Louella Parsons and Hedda Hopper.

The sets, by John Elvery, are many and various but always transitory, and handled with agility by the stage crew. The occasional dance numbers by four or five young men in tuxedos, inserted to fill the gaps left by Judy's habitual unpunctuality, or indeed absence, do not seem to me to harmonise with the rest of the basically realistic production. This is not a song-and-dance show but a biography with songs. If it were a song and dance show I would have to rate it as pretty anaemic, and it certainly is not that. At the final curtain, the audience gave Miss Mackie a standing ovation.

New chairman of Royal Ballet governors

Mark Bonham Carter has been appointed chairman of the Royal Ballet governors in succession to Sir Joseph Lockwood, who retired earlier this year.

Mr Bonham Carter was a director of the Royal Opera House from 1958-82 and has long been associated with the two Royal Ballet companies.

Il barbiere/Covent Garden

Max Loppert

The Royal Opera's latest *Barbiere di Siviglia*, new a couple of months ago, was then a comedy of character finely tuned by beautifully subtle musical execution. Now returned for the first of the revivals that are planned to recur throughout the current season, the show seems in the short interval to have gone unexpectedly and disappointingly coarse.

Michael Hampe's production, rehearsed by Stephen Lawless, has surrendered much of its special quality to all-purpose "big house" routine: comic business that formerly gave the impression of springing directly out of the music felt imposed, mechanised, and generalised in Wednesday's performance, and though three of the cast are retained, one sensed that the characters were no longer operating as a closely-meshed ensemble. Gabriele Ferro is still the conductor, and still an excellent Rossinian (though on this occasion the orchestra was manifestly below form for him). As an international Barber of the kind regularly given in the world's leading theatres, it remains a superior example, which will give pleasure to its audiences. But the difference between this and the earlier achievement is notable, and proved rather saddening.

At least Thomas Allen continues in the title role; his excellence is now thrown far more starkly into relief, yet it serves (thank heavens!) to animate every scene in which he appears. Mr Allen knows how to take the audience in his hand immediately and hold it there, as any good Figaro must; the entrance aria is played straight out front, with great exuberance and enormous charm, yet the hint of steel that distinguishes this performer among British operatic actors was quickly revealed, and served to add zest to the display.

Otherwise, a rather more mixed report. Alicia Nafé, Rosina once again, sings far more surely than before—the dusky mid-range timbre is very attractive, and so is the smoothness of her line—without yet establishing any particular point of personality on which the comedy can fasten. Keith Lewis's first Covent Garden Almaviva is delivered skilfully in a rather self-consciously elegant style, which the "manufactured" tone production underlined; romantic charm is lacking. Basilio is John Tomlinson, a strong performer entirely unsuited to comic opera. Even Domenico Trimarchi, who 10 years ago gave us a capital/ Bartolo of native Italian stamp opposite Frederica von Stade, returns to London with his edges dulled—one watches the machinery of his performance with curiosity rather than amusement. As, indeed, one watches a fair amount of the whole show.

Orchestras/Antony Thorncroft

Music for 'The Garden'

The four London-based orchestras — the LSO, the LPO, the RPO and the Philharmonia — can breathe again, at least for a few more months. The Arts Council announced yesterday that it was giving up on its plan to reduce them to three, and through the power of its purse, to persuade the fourth to establish itself in Nottingham as the orchestra for the musically deprived east of England.

The establishment of an orchestra in Nottingham was one of the keystones of the Arts Council's "Glory of the Garden" proposals, which switched resources from London to the regions. But none of the four was keen on the transfer, and neither was Nottingham anxious to come up with any supporting cash.

But there is a powerful sting in the Arts Council's letter to the four orchestras announcing their reprieve. From April 1 1986 when, through its South Bank subsidiary, it assumes financial control of the country's major arts complex on the south bank of the Thames, the council will have, for the first time, the direct funding of the four orchestras which "will inevitably mean a selective approach to subsidy, based on our assessment criteria."

So the traditional means of funding, whereby the orchestras were aided mainly in line with the number of concerts they played at the Royal Festival Hall, will go out of the window. In future the Arts Council will provide money according to the ability of the orchestras to deliver the goods both in financial and artistic terms. It might also give the orchestras aid for specific products, such as a season of 20th-century music, or for touring the provinces. The council reassures them about 1986-87, but after that there could be very differing amounts of subsidy for the four orchestras.

To a great extent the four orchestras, although they have an excellent reputation in the nation, and abroad, are not among the Arts Council's priorities. It only provides around 15 per cent of their annual income, and they could survive without subsidy. With the likelihood of a great crisis in the financing of the arts approaching in the next three months, with the Government offering the Arts Council a much smaller sum for 1986-87 than it has calculated it needs for supporting the arts (given that from next April it is also taking on most of the funding of the defunct metropolitan councils, including the GLC) the orchestras rate as a low priority.

But the orchestras certainly do not see things in this way. With the abolition of the GLC they are losing another important source of revenue, and they will be expecting more subsidy from the Arts Council. By working harder than any overseas orchestras, and by playing more popular programmes, they have managed to survive.

FINANCIAL TIMES

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Friday September 27 1985

Labour loses its fire

IT IS A mistake to see party conferences as *make-or-break* affairs. Usually they matter much more to the faithful and to the media than to the general electorate. Yet as the British Labour Party starts to assemble in Bournemouth this week-end, it is hard to avoid the thought that time in beginning to become pressing.

The party has two years at the most in which to establish whether it is still seen as presenting a natural alternetive government or whether it is being condemned to third party status by the advance of the SDP-Liberal Alliance. The evidence at present can be *argued either way*, but for Labour it does not look encouraging.

Labour did relatively well, by recent standards, in the by-election in Brecon and Radnor last July, bnt still only came second. It did reasonebly well in the shire county elections in May, but it was the Alliance that tended to pick up the seats. It bas recovered somewhat in the opinion polls, yet it is the Alliance that bas the lead.

Perbaps the polls simply reflect the *successful* conferences of the Social Democrats and the Liberals earlier this month, though it is starting to look like a trend. Maybe also there is something to be said for a slow recovery, provided that it is *sustained*. With the best will in the world, bowever, it is difficult to deny that at this stage in a Parliament—particularly of a second-term administration — Labour ought to be doing better.

Union links

It is not as if events have conspired against it. In the end, the miners' strike did Labour no great barm. Mr Neil Kinnock, the party leader, was seen as sufficiently distanced from Mr Arthur Scargill. It is unlikely that there will be such *a strike egain* ln the foreseeeble future. Even the present events in Liverpool may end in isolating the militants from the constitotional Labour movement. Mr Kinnock, indeed, begins to look rather more like his own man than some of bis predecessors, one wbo will seek to *co-operate with the unions* rather than be led by them.

Yet in a strange way the unions have perbaps been changing faster than the party. They have voted overwhelmingly *to keep the political levy and* their hroad allegiance to Labour remains. But Mr Eric Hammond of the electricians and Mr Gavin Laird of the engineers begin to seem like a new breed of leader. They value their independence and their new freedom to ballot their members. Even the National Union of Mineworkers is effectively splitting. The Labour Party cannot count so solidly on its old base.

For the party to loosen its links with the unions might be a blessing. It could become more like the Democrats in the U.S. and the unions, on the *American model, a body ready* to deel with all-comers. It is the process of regeneration within the political party that seems to be lacking. If Labonr does not represent the lebour movement as a wbole, what does it represent?

Portfolios

True, there have been some *key organisational cbanges:* the appointment of Mr Larry Whitty as general secretary, for example. Mr Kinnock is a young and attractive leader, if slightly woolly. Tbe front bench looks good, at least as strong as its Tory counterpart and more experienced than the Alliance. Mr Roy Hattersley, the deputy leeder, makes policy speeches at the rate of one a week.

But there remains something tired about it all. Mr Hattersley's call for a National Investment Bank sounds like a return to the 1960s. His threat or promise this week to renationalise British Airways and British Aerospace is a reversion to the ding-dong politics we thought we had shed. Labour, indeed, is beginning to look *like e conservative party* with a small "c" that lives on its past.

Bournemonth might prove the contrary. A change of portfolios could belp: Mr Hattersley to shadow the Home Office, for instance, and Mr John Smith to take on the economics brief. What will no longer do, bowever, is for Labour to go on pretending that lt is the alternative government only two years or so away from resuming office. The Alliance has challenged that and the Conservatives *are not beaten* yet. As Harold Wilson used to say, the party needs people with fire in their belly. A lot of the old fire has gone ont.

Japan: warning for all

THE REPORT on Japan published today by the Organisation for Economic Cooperation and Development contains not much cheer for the competitors of the Japanese. It holds out little bope for an early, permanent reduction of the imbalances that bave brought about the country's huge current account surpluses.

But It elso contains a warning *for* the Japanese. Their excessive dependence on ex*port markets has* made them vulnerable to a setback in world trade and, in particular, to a slowdown in the U.S. That warning is reinforced by its colncidence with the publication of a report from the General Agreement on Tariffa and Trade, forecasting that world trade is expanding more slowly than had been expected for this year.

The OECD report cells for an appreciation of the Jepanese yen in dollar terms as one of several means to reduce the current external surpluses. It is e process that may *already* have begun, hurried along by the intention of the Gronp of Five (consisting of Britain, France, Japan, West Germany and the U.S.) to bring down the dollar from its beights. By another coincidence it became known yesterday that the Bank of Japan expects the yen to strengthen beyond a rate of 220 to the dollar. That would amount to a revaluation hy 14.5 per cent sinca March 31. The OECD bases its short-term forecasts upon the rate of 251.8 recorded on that day.

Exports

It would be rash to assume that this appreciation of the yen is enough seriously to dent the structural surplus position of Japan. We do not yet know how successful and lasting the efforts of the central banks to haul down the dollar will eventually prove. Besides, as the example of Germany in the 1970s shows, even an appreciating currency can stimulate exports as buyers try to get their *orders* ln before the next move upward.

Competitors of the Japanese may also be depressed by the sceptical view the OECD takes of the widely held belief that Japan is a market ell but closed to foreign manufacturers. The implication is that not only the Japanese must do their bit to reduce existing imbalances: exporters elsewhere, too, *must* redouble their efforts to fit in with the admittedly difficult characterists of the Japanese market.

The OECD identifies the high savings propensity of the Japanese (matched by the opposite in the U.S.), as a root cause of Jepanese current account surpluses. Domestic savings exceed domestic investment, *creating* e pressure to export goods that the home market will not take np. The excess savings flow into capital exports which, in turn, bold down the exchange rate and give a boost to exporters.

To counteract this chain of events, the OECD advocatea a further deregulation of Japanese financial markets deslgned to satisfy international *demand* for *yen-denominated* financial instruments. Desirable though such liberalisation is in principle, lt is unlikely to prove more than a palliative.

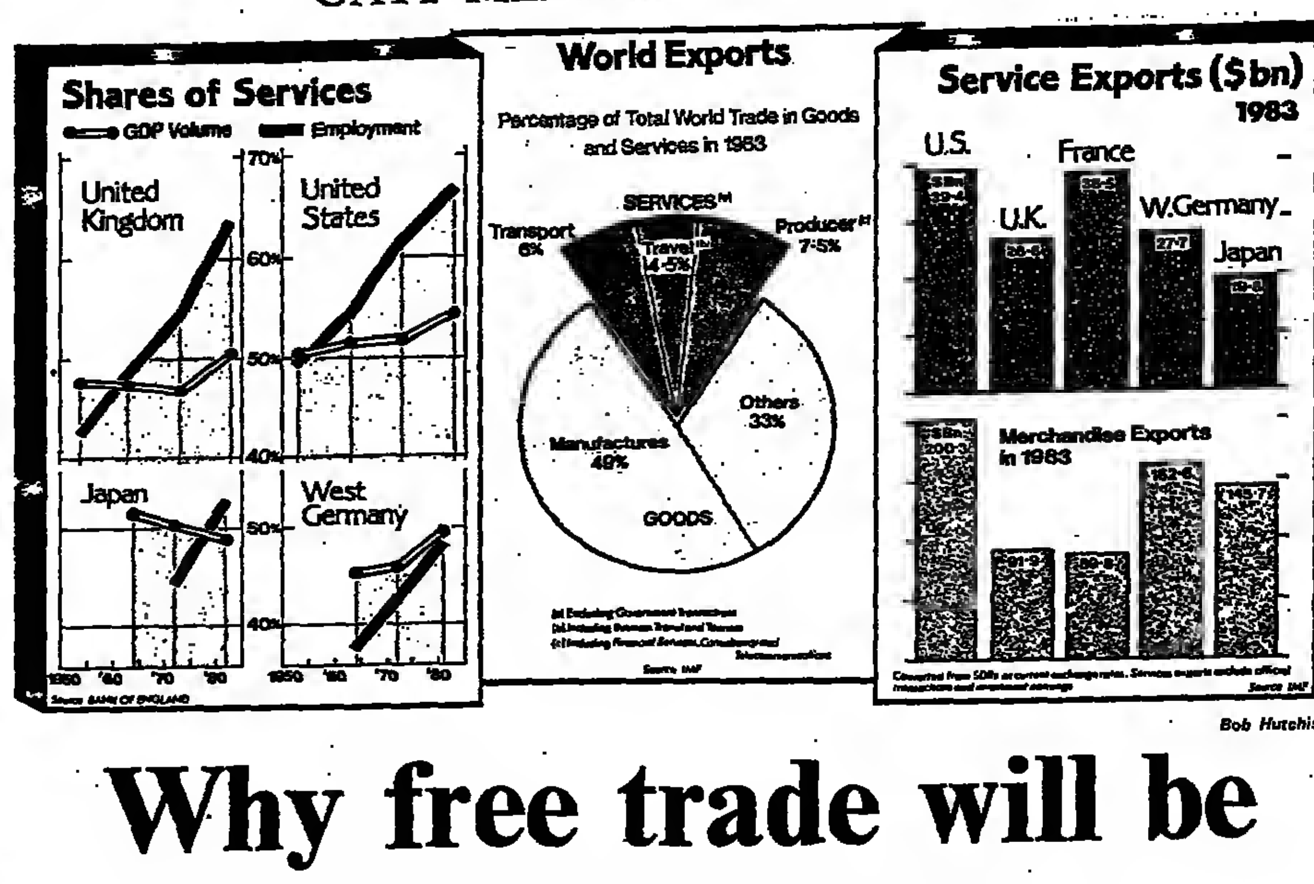
Morals

At bottom the problem is bow to change Japanese con*sumer habits, evidently a long*-term matter. It could be accelereted somewhat by the aging of the Japanese population. The increasing number of pensioners means that the number of consumers rather than producers is increasing. Besides, the younger generation may one day be more anxious to enjoy the fruits of success than were its fathers.

The OECD report, especielly when taken in conjunction with the report from Gatt, contains morals for both the Japanese and their competitors. Great though the difficulties undoubtedly are, every effort will bave to be made to take advantage of the Japsnese market opening programmes. The size of the market, not to mention the prospect that saving and consumption patterns will eventually change, is reason enougb for that.

But policymakers in Tokyo would be wise to beed the warnlngs that existing imbalances expose them to a beighlened risk that protectionism will spread, burting world trade and all trading natioos. On the day of reckoning Japan stands to suffer more than many others.

GATT MEETING ON SERVICES



Bob Hutchison

Why free trade will be an elusive goal

By Michael Prowse

WHEN THE soap box orator stands up in Hyde Park to declaim the virtues of free trade he is normally taken to be referring to trade in goods or commodities.

He is the man wbo itghes to abolish all restrictions—"voluntary" or otherwise—on imports of Japanese cars or Australian coal. He is not normally denouncing the difficulty in London of getting an American haircut or a German insurance policy.

Recently, however, the purview of the doctrine of free —or at least liberal—trade has broadened. To American trade officials in particular it bas become a matter of principle that the doctrine sbould be applicable to everything *tradeable*, and that includes a wide range of services. *Since 1982*, the deepest divide between the *90 countries* that are signatories to the General Agreement on Tariffs and Trade (Gett) has been over the lberalisation of trade in services.

On Monday, when officials from Gatt member countries meet yet again to discuss a new round of trade talks in 1986, the emphasis will be on reaching some accommodation on this vexed issue. The U.S. line is that international agreements such as the Gatt have failed to keen pace with structural changes in advanced economies — the fact that services are contributing proportionately more to GDP than manufactured goods.

On the American analysis, the Third World gains disproportionately from trade pacts such as the Gett. *Developing countries* still predominantly produce tangible goods and commodities rather than sophisticated services. They benefit from the liberal trade rules for goods and so ought to accept as a just *quid pro quo* the dismantling of barriers to trade in *services* — in which the developed economies have a natural comparative advantage.

So far the U.S. bas made most of the running on services. But other developed countries, notably Japan and the European Economic Community, *support* the American argument that in the long run *if* Gatt is to have continuing relevance its competence must be extended to services. Third World Gatt signatories, bowever, orchestrated by *Brazil* and India, *are* resolntely opposed to the extension of Gatt rules to services.

The U.S. drive to liberalise *trade* in services has run into all kinds of obstacles—conceptual, practical and political. There is confusion, for example, both about the definition of services and the extent to which the composition of output in developed *countries* has shifted in their favour. There is further disagreement about the proportion of services which are potentially tradeable (the answer may depend on advances in information technology) and *on* the significance of liberalisation for developed countries' balance of payments.

A service, points out an article in this month's Bank of England Quarterly Bulletin, can be defined as anything that changes the mental or physical condition of a person or of a good belonging to a person. Thus passenger transport affects people's pbysical condition; entertainment (normally) their mental state. Some activities, such as financial services, affect the condition of both people and goods; some, such as dry cleaning, affect the condition only of goods.

With this broad definition in *mind*, is it true that service industries have increasingly crowded out other types of production in developed economles? Figures published by the Bank suggest any such thesis should he advanced very cautiously. The evidence for long-rum "de-industrialisation" is slim: in most edvanced economies the output of service industries has 'grown only slightly faster than ontput as a whole.

Thus between 1953 and 1983, the share by volume of services in the U.S. economy grew only from 50.4 per cent of GDP to 54.6 per cent—hardly a change dramatic enough to render trade agreements like the Gatt suddenly outmoded. Growth of services in the UK and West Germany has been equally slow (see table) in Japan the share taken by services in the domestic economy has actually shrunk in the past 20 years.

The mistake of many analysts, who bave become excited by the apparent growth of service industries, has been to ignore the rise in the price of services relative to that of manufactures. Once price changes are taken into account, however, it becomes clear that the structure of developed economies bas not changed so very mnch since the 1950s.

However, while the share of services in *GDP* has grown only sluggishly, the same cannot be said for employment in services. In the U.S., for example, service industries now absorb 66.7 per cent of all workers compared with only 49.5 per cent in 1953. Pressore for more liberal trade in services doubtless reflects confidence in their job-creating potential.

The overall *size* of service sectors is in any case of limited relevance because only a comparatively small proportion of services are tradeable. This becomes obvious wben it is recalled that services, by definition, are purchased as they are prodnced. They are not storable: the change in the condition of the person or object must happen at the time of production. It is difficult to supply most services "from a distance."

> Third World worries about loss of sovereignty are less foolish than is often implied

Thus social services such as education, distributive services such as retail trade and consumer services sucb as restaurants are not tradeable. In the UK, it is estimated that only abont 11 per cent of the gross output of services is traded compared with 33 per cent for manufactures.

The fact that so few services ere tradeable explains why services account for such a small proportion of world trade desplte their importance in domestic economies. The Bank calculates, for example, that in 1983 only 18 per cent of world trade was in services. It also *points* out that in the past 15 years the growth of world trade in services of $11\frac{1}{4}$ per cent a year has been precisely in line with the growth of trade in goods. There is *thus* no evidence that services are becoming e relatively more important component of world trade.

Tradeable services are often split into three main categories: transport (mainly shipping and civil aviation); tourism; and "producer services," wbich are used mainly by companies in the production of final goods. Producer services include telecommunications, financial services(principally banking and insurance) and e bost of other professional and consultancy services ranging from architecture to accountancy.

When officials urge the liberalisation of trade in services, they are often thinking primarily of producer services. They may dream of breaking up the *airline* cartel IATA or of eliminating the distortions in world shipping, but their main focus is on sectors sucb as telecommunications and financial and professional services. American banks, insurance companies and software bouses are pressing for better access to *growing Third* World markets in, for example, Brazil and India.

Yet in the UK, wbich is heavily geared towards financial services because of the City's historical role, producer services account for less than 50 per cent of total service exports. In other developed countries the proportion is probably lower still. Tbus much of the recent wrangling between developed and developing countries within Gatt, which has badly delayed progress on less esoteric issues, relates to less than 10 per cent of world trade —the profitable portion accounted for by producer services.

There are many genuine obstacles to more liberal trade in services. The first is that liberal trade between countries tends to follow liberal trade *within* countries. How cen the developed economies seriously seek free trade in services when, for all kinds of national interest and prudential reasons, sectors sucb as banking, telecommunications and the professions are still so heavily *regulated* domestically? In many *developed countries,* to offer foreign service companies "national treatment" is to offer them very little freedom indeed.

Third World countries might also take more seriously the advanced economies' argument that free trade in services would be beneficial for all if the First World practised what it preached. If lt is such e panacea, why were the barriers within the EEC not lifted years ago? Why do Japan and the U.S. not throw open their doors to each other's service exports?

Underlynig many of the fears about free trade in services is the conviction *that* the *real* argument is about foreign investment and "rigbts of establisbment." The fact remains that wbile it is very difficult to trade many services, it is easy to sell them abroad once e company is allowed to establish operations in the tax bost country.

Overseas investment renders feasible the sale of virtually every kind of service — from medical treatment to haircuts. The U.S. has made much use of foreign investment: its "foreign sales" of services are estimated to exceed greatly its exports of services proper.

Most producer services are difficult to trade in the strict sense of the term: it is more convenient to produce them on the *spot than in* a company's home country. This is more true the more sopblsticated the services become: data processing, banking and Insurance services can often be provided only by professionals present on permanent basis. *Developing* countries may be correct to believe that what the U.S. and, more cautiously, the EEC and Japan are really seeking under the free trade bauner is much more liberal rules on direct investment.

Third World worries about loss of sovereignty are thus *less* foolish than is sometimes implied. To import oranges from South Africa is one thing. To have a powerful multinational established on your soil providing key services, be they banking, telecommunications or broadcasting, is quite another.

The developing countries also cite the "infant industry" argument as grounds for caution on liberalising trade in key producer services. It is difficult entirely to dismiss the argument that in many Third World countries, sectors sucb as banking and telecommunications are too weak and primitive to withstand U.S. or Jepanese competition.

Given the obstacles, what sort of liberalisation of trade in services is possible and *how applicable* are Gatt rules? Perbaps the *most* that can be hoped for ln the short run is that all Gatt signatories sbould accept ln principle Gatt's competence over services and the need to make restrictions more transparent. If constraints on service trade were notified and open, negotiation on removing them could at least begin.

Ideally, a pact on services would contain at least two other elements. First, e general com*mitment* on non-discrimination so that companies from any Gatt member country could expect comparable treatment—preferably the sort of treatment meted out to domestic enterprises. However, there would *be* e *strong* temptation for liberalisation to proceed on the less-enlightened principle of reciprocity: ie Britain would accept Japanese stockbrokers only if Japan returns the compliment.

Secondly, the agreement would need comprehensive rules on how to resolve disputes between member countries.

Liberalisation of service trade is important but in view of tha inherent obstacles and its relatively small share of world trade, perhaps not quite tbe overriding priority claimed by U.S. officials.

When Capitol Hill is inundated with protectionist bills and President Ronald Reagan is brandishing a "war chest" with which to combat alleged unfair trading practices, it could be regarded as irresponsible to allow the dispute over services to hold up the main trade talks for much longer.

Trade in so many ordinary goods—from agricultural produce to video cassettes—is so illiberal that to concentrate unduly on services is to expect the world trading system to run before it can walk.

Men and Matters

Whitehall's weight problem

Whitehall has just closed its files on e weighty problem that has occupied the "earnest attention" of four ministers, their legal advisers, the chief inspector of explosives, and a dozen or so other civil servants for the best part of four months.

It all began back in April when the Mayor of Portland, Dorset, Elizabeth Tucker, wrote to her MP, Viscount Cranborne, to tell him that members of the town's marine committee were disturbed to leern that explosive lead weights were on sale to anglers.

The weights exploded during casting throwing a fishing line an extra 350 yards ont to sea; and the committee was worried about possible *injuries*.

Cranborne dutifully passed the matter on to John MacGregor, then Minister of State for Agriculture, Fisheries and Food, in May.

Consultations ensued. MacGregor passed the parcel to Alex Fletcher, then e minister at the Department of Trade and Industry.

His officials swung into action —and in July the investigation was widened to bring in David *Mellor at the Home Office*, and William Waldegrave at the Department of the Environment.

Dld these dangerous devices come under the Consumer Safety Act 1978? Or was it the Health and Safety and Work Act 1974?

Was there cause for prosecution under *the* Salmon and Freshwater Fisheries Act 1975? Or should action be taken under the Explosives Act 1975?

Philip Jones, chief inspector of explosives at the Health and Safety Executive, was recruited in August to help solve the problem. He was intrigued—but suggested the county trading standards officers in Portland *should* collect some of the weights for inspection.

The county officers, in fact, had already been alerted by the Mayor of Portland. They hed started a search for the explosive devices back in May.

They did not find any of the weights—but they did turn up an article about them in Sea Angling Weekly for the week of March 29-April 4.

Headed "*New revolution in* fishing weights will ald casting," it was written by Rolf Pliao —a name which, they noted, could be recast as April Fool.

Up the wall

The City of London's only wall climber was working ovartime yesterday. Regular passers-by at the corner of Gracechurch and Fenchurcb Streets have elready been treated for some months to the sight of the brightly-lit lift that plies up and down the outsida of the new Societe Generale building in its smokey brown glass tube.

A year after moving into the building, Soc Gen finally got round to inaugurating it yesterday in the presence of Robin Leigh-Pemberton, Governor of tha Bank of England, and Jacques Mayoux, the bank's *chairman*, who flew over from Paris.

Guests were given the chance to ride up in the eight storey lift and experience the sight of the City falling away below them, which I hava to say I rather enjoyed. But *many* of them found the whole thing a bit too futuristic and opted for the more claustrophobic but traditional elevators in the centre of the building.

Soc Gen's monopoly of fun rides will, bowever, be broken when the new Lloyd'a building only a block away opens next year with four wall climbers soaring more than 20 floors.

Greyhound track

Greyhound buses are as much a part of the U.S. image abroad as Coca-Cola. But Greybound chairman, John Teets, is in London this week, spreading the word that things are changing.

Cheap domestic air flights bave ruined Greybound's long-*haul* business—and the company is slimming down a system built for the 64m annual passengers of 20 years ago to the 39m today.

There bave been protests, Teets says, from some of the 2,000-3,000 small U.S. communities that are losing the Greyhound *service*. "*But the positive* side is that it is going to allow the company to *survive*."

The company — which now likes to describe itself as e transportation, food and consumer services group — bopes to save more than $50m from the cuts if the unions, already chastened by a bitter 43-day strike in 1983, accept that times have changed. "The fact is," says Teets, "Greyhound will never be the same again."

The strike boosted Teets' reputation as a tough negotia*tor—and* be does *seem to move* quickly to get what he wants. Four weeks ago Greybound revealed it had lost $60m in what Teets called a "well-thought-out" leasing swindle. But already more than $45m has been recouped.

Out of sight

Like Cleopatra languishing without Caesar, e key figure will be missing on the Nile at Calro this weekend when e new arms factory is opened. It is jointly owned by the Egyptian government and the British defence company United Scientific Holdings.

Peter Levene, the ministry of defence's new chief of defence procurement, and until lately chief executive of USH bad much to do with putting together the deal which creeted Arab International Optronics—*Egypt's only maker of binocu*lars, night sights, laser range finders, and other articllery observation aids.

Levene had to severe all connections with USH when he moved to his controversial £95,000-a-year post at the Defence Ministry last March. So he bas felt it sensible to stay away from the Cairo ceremony.

So too have quite a few other *MoD* top brass wbo were invited by the new USH chief executive, *Sir Frank Cooper*. Cooper knew exactly who he wanted to invite because he was himself lately Permanent Secretary at the Ministry.

One of those who regretfully declined admits that orders came from on high in Whitehall that it would be "seemly" for tha Ministry to be represented only by the man responsible for defence sales in the Middle East.

So it will be largely left to the British diplomats in the Cairo embassy to show the flag at the ceremony—which will be performed by President Mubarak.

In the wake

"Repubblica wakes Italy up" reads the beadline on a double-page edvertisement in the *Italian weeklies* for La Repubblica, the country's liveliest newspaper. Under it is a colour photograpb of Bettino Craxi, the Prime Minister, looking very bored and balf asleep. "Every morning," the ad continues, "$1\frac{1}{2}$m Italians open their eyes" . . . to La Repubblica.

Craxi, bowever, is not amused. Mindful, no doubt, that many of the pungent "eccusations" and "comments," on which the Rome tabloid prides ltself, are directed against *him*, he has taken out an injunction against the paper's editor, Eugenio Scalfari, and is claiming substantial damages.

Levelling out

Chelsea graffito—"Class distinction is only temporary. All men are cremated equal.

Observer

A LONG time ago—in 1979 to be precise—the average Briton carried about 81p in loose change. It was composed of 11 to 12 coins and weighed around three ounces (84 grams). Halcyon days!

Go home this evening, empty your pocket or your handbag, and what will you find? The answer is almost certainly a bewildering mixture of coins, of varying shapes, weights and sizes, with no apparent logic behind the sequence, weighing considerably more than three ounces and worth perhaps £12 or more.

It is hard to think of a country which has made such a mess of its coinage as Britain, and there is no solution in sight.

What you need, says Dr Jeremy Gerhard, the Deputy Master and Comptroller of the Royal Mint—the Master is *ex officio* the Chancellor of the Exchequer—is a "coin management programme."

Dr Gerhard sorts out the coins in his pocket every night, as I suspect most of us have begun subconsciously to do. You put the bronze in a box, as being pretty useless. You put the ever increasing number of 5ps in a pile and wonder what to do with them. As for the higher denominations, you make a deliberate decision to spend coins rather than notes on whatever you need the next morning. Otherwise, you will be literally weighed down by the pound in your pocket.

No one defends this system, least of all Dr Gerhard. It is said to be a consequence of decimalisation when it was judged impossible to move to a complete new coinage overnight. Old coins, such as what are now the 5p and 10p pieces, had to remain, if in new form.

One reason given for that is that the Government did not want to be left with a huge stock of old coins on its hands. If that does not sound entirely convincing (presumably the metal could have been recycled), there are others. It is said to be exceedingly difficult to produce a range of coins which satisfy the following criteria.

● They must not be easy to counterfeit. Forged currency is apparently quite a big business which expands whenever it becomes simpler to copy legal tender.

● They must not replicate, or even nearly replicate, other coins in other countries. This is not just a matter of how the coins look—whether they portray the Queen or Sir Francis Drake—but of size, weight and shape.

● They must satisfy the vending industry, which nowadays covers a wide range of services including transport.

● They must be easy to identify, in the dark as well as the light, by the blind and the elderly.

Politics Today

Too many pounds in the pocket

Malcolm Rutherford looks at the changing face of coinage

Mr Lawson (left) and Dr Gerhard . . . problems to face

● Prefarbly the coins should be light, durable and cheap to produce. The milkman and the bus conductor are frequently cited as persons who cannot be expected to cope with a coinage that is either too heavy, too confusing, or both.

In the jargon, all that is defined as finding the right "slot." A slot used to be the term for a difference in diameter between two coins which would be sufficient to allow the introduction of another similar coin into the system. In practice, it has all become much more complex. Account has to be taken of what happens abroad, and it is doubtful whether Britain has much of a system to slot anything into.

It may be argued in extenuation of the British that other countries have had similar problems. The U.S., for example, had a spectacular failure in 1979-80. Who now remembers the Susan B Anthony one dollar coin?

The U.S. administration under President Carter decided that it might be time to phase out the one dollar note, though it never said that the note would necessarily disappear. The Congressional Women's caucus latched on to the idea and insisted that the coin must have a woman on its face. It was Susan Brownell Anthony (1820-1906), the leader of the suffragist movement.

About 800m of them were minted. Nearly half a billion of them now languish in vaults, for the coin was quickly withdrawn. The banks were against it; so were the drug stores and the hamburger chains. It is said in retrospect that it was too close in size to the U.S. 25 cent piece, so that it was confusing to the public. Also, no previous psychological research had been done on the coin's acceptability.

Anyway, President Reagan, being the pragmatist that he is, and his then Treasury Secretary, Mr Donald Regan, decided to have none of it. The one dollar note remains in existence, despite being worth less than the now disappearing one pound note. There are no further plans to play around with the coinage.

In parenthesis, however, there is an interesting fact. The average life span of a one dollar bill is about 18 months. For the British pound note it is about nine months. No one seems able satisfactorily to explain the discrepancy. It might have been worth the Royal Mint doing some research on that before saying farewell to the paper pound.

Yet, in a curiously British way, there is research in abundance. Before he went to the Mint, Dr Gerhard was at the Department of Industry looking after government relations with Rolls-Royce, so clearly he knows a good deal about materials, alloys, carbon fibres, ceramics and whatever else modern coins might be made from.

The Mint is a nationalised industry, doing a lot of work for overseas customers. On March 23 1984 a written Parliamentary answer disclosed that it was being set a new financial objective of an annual return on capital of not less than 12 per cent. The foreign work goes on with research on materials and how to avoid counterfeit currencies. It is the British problem that has not been resolved.

In passing it is worth noting that it is not entirely fair to blame the change in your pocket on Mr Nigel Lawson, the present Chancellor. The original statement about the introduction of a one pound and 20p coin was made by Sir Geoffrey Howe, his predecessor, in a written answer as long ago as January 27 1981. It must have been foreseeable then the proposed reforms were not adequate and that sooner or later we would be landed with an illogical and excessively heavy coinage.

The research goes on. Apart from the work on materials at the Mint in Glamorgan, there is a contract with the University of Nottingham on the psychological aspects.

This has just been renewed, to run another year until next September, and may have to be renewed again after that. It is presided over by Dr Vicki Bruce with one full-time assistant. Dr Bruce is a psychologist who specialises in perceptions; in particular, she has worked on how people recognise the human face and distinguish one from another.

Her main brief is the future of the 5p and 10p pieces. The 10p is too large and too heavy for its value. The 5p may be also too large and could be replaced by something like the old silver sixpenny piece. In which case the bronze currency might go altogether, as the halfpenny has already done.

Like any good open-minded scientist, however, Dr Bruce says that she may come to no conclusions at all other than that it might be better to stick with the *status quo* for fear of finding something worse.

Having tried to understand the subject in the last couple of days, I have come to the conclusion that it is indeed vastly more complex than most of us realise and I have considerable sympathy for Dr Gerhard and Dr Bruce, both of whom are being bombarded by the press.

Yet there are also some political conclusions.

● It is unclear why Britain needs to have the worst, heaviest and most illogical coinage in the world.

● If I were a Treasury Minister, or better still Master of the Mint, I should begin to take matters in hand. It must be possible to devise a lighter, prettier, more harmonious system and to tell the Tory Party Conference in Blackpool that change is under way.

Lombard

A warning over witch hunts

By David Marsh

AMID THE turmoil in Paris over the Rainbow Warrior affair, the 300th anniversary next month of the revocation of the Edict of Nantes may go largely unobserved.

That would be a pity. Louis XIV's withdrawal in October 1685 of the charter granting religious freedom to the Huguenots, which led to the exodus of 300,000 of these hard-working French Protestants to enrich the economies of England, Holland and Switzerland, is of some relevance to the debate over economic policy in France after 1986.

The disastrous consequences of Louis' action may act as a warning to those in the Right-wing Opposition tempted to take an over-theological attitude towards denationalisation of state enterprises. In particular, a revival next year of religious intolerance towards Socialist-nominated chairmen of nationalised banks and industrial groups, most of whom have been doing a good job, would risk destabilising key parts of the French economy and sending into exile some able managers.

The Right-wing government which looks likely to take office after general elections next March (with or without President Mitterrand in the Elysée Palace) is almost certain to make denationalisation a priority—one of the few economic areas where there is likely to be a real difference compared with the Socialists' present policies.

The danger is not only that the Right, under pressure to raise funds for the budget as much as for ideological reasons, will try to sell state holdings over-hastily. Additionally, the new Government will be sorely tempted to proceed with a wholesale clear-out of chairmen of top state groups, at least to get rid of the bosses named by the Socialist administration when it greatly enlarged the nationalised sector three and a half years ago.

M Mitterrand's advisers say the question of nomination of heads of state companies and banks will be one of the most crucial policy issues in any tussle with a Right-wing majority in the National Assembly. The President has already signed a decree during the summer to try to maintain control in this area—although this piece of legalistic fine tuning can no doubt be reversed by a future Right-led government.

Equally, in the Opposition, there appears to be determination to name new men at the helm of many state groups in order to establish authority.

Such power will, however, have to be handled carefully. Already the growing debate over the Right's denationalisation plans is having a number of negative effects, reminiscent of the period of uncertainty and immobilisation before and after the 1981 presidential elections.

The bourse is starting to suffer from fears of a future tide of state asset disposals. With some more profitable state-owned enterprises already being courted, directly or indirectly, by would-be buyers, preparation for still-theoretical denationalisation may start to divert energies from the day-to-day running of business.

Awareness that a new round of musical chairs may be in the offing is starting to unsettle even chairmen with successful records.

Companies like Rhône-Poulenc, Thomson, Pechiney and Bull, in highly shaky financial positions before nationalisation, have shown considerable improvement in results, productivity and structures since 1982 (albeit with the aid of considerable sums of state cash). On the other hand, the Right may well have political scores to settle even with chairmen who have done well; and it will have promised prestigious jobs for friends and fellow-travellers.

The manner in which job changes are made in the nationalised groups will help indicate to what extent France has grown up after the dislocation in 1981 caused by the ending of 23 years of Right-wing rule. This dislocation has since been overcome—resulting even in a form of national economic consensus. The Left has learned how to put into effect some useful economic restructuring, and un-learned its less useful dogmas. One of the chief lessons surely absorbed by all is that, in 1986, the last thing France needs is another round of witch-hunts.

Letters to the Editor

A new Bretton Woods

From Lord Carrick

Sir, — Both industry and agriculture in the U.S. have heavy debt equity ratios. They need a strong economy and a weak dollar in order to prosper, but these are two things which do not naturally go together. Capital is looking, above all else, for a safe haven and that haven is the U.S.

The agreement with the Group of Five in New York was designed to weaken the dollar without damaging the U.S. economy. The U.S. Government issued an ultimatum — "help us to achieve our objectives or we will adopt strong protectionist measures." The administration believes in free trade and market forces, but when it comes to the crunch Americans look after themselves first; it is human nature to do so. Human nature, however, is also greedy. Speculators in New York, London, Zurich, the Middle East and Tokyo have almost unlimited financial ability to trade the foreign exchange markets. Over $100bn worth of business can be transacted in 24 hours. This kind of money is bigger than the Federal Reserve, Bundesbank or Bank of England can control.

"Market forces" have got out of hand. Market forces will probably resist a sustained decline in the dollar and the Group of Five agreement will probably fail in its objectives.

What happens next? The U.S. Government could ban or tax investments from overseas, but how does it then finance the budget deficit? It could tackle the deficit, but a real attack could take three years to have the desired effect, and a great deal could happen to exchange rates during that time.

I believe there is one quite possible answer. President Reagan has three years of political life. He could call another "Bretton Woods" conference. Exchange rates could be firmly fixed between the dollar/D-mark, controlling the European Monetary System, dollar/sterling and dollar/yen. The rates could be fixed for three years, with the Reagan administration giving a pledge to cure the budget deficit within this period.

U.S. industry and agriculture would once again prosper as the backbone of a great nation. Financial and other services would suffer for a time, but they would suffer less from this than from a collapse in the financial system.

Carrick.

10, Netherton Grove, SW10.

Exchange rates

From the Managing Director Currency Research

Sir,—Now that the five nations have reaffirmed their commitment to a lower value for the dollar, an interesting but crucial question arises. How will we know when we've arrived at the appropriate value?

For market operators are only interested in short term speculative trends. So yesterday's rate has become the only reference point.

But reference points, such as "target zones," should relate to the real economy of products, services and jobs. In the 15 years since more fixed parities, however, there have been large changes in prices and in productivity between countries, plus two huge oil price increases, plus the emergence of Japan and Asian countries as major trading forces. So where should currencies be today?

As a contribution to the discussion, I show our estimates of currencies' "fundamental values," at which the external sector would be in balance through time.

	Fundamental value 1985	Fundamental value 1986	Recent actual (21.9.85)
£ Sterling:			
Bank of England index	76.0	74.1	83
ECU per £	1.51	1.48	1.75
US$ per £	1.56	1.52	1.43
DM per £	3.19	3.07	3.90
U.S. $:			
Bank of England index	110.1	110.1	135
DM per $	2.05	2.02	2.73
Yen per $	194	188	232

It is apparent that the £ sterling is overvalued by some 10-15 per cent overall, especially relative to the DM zone of European currencies. (The UK now imports about 50 per cent more from Germany than we export there.) Joining the European monetary system must be done at a significantly lower rate than recent levels if our export industries are to have any chance.

Our estimates confirm the desirability of the dollar falling by about 20 per cent overall.

Michael Nisbet

59 Gloucester Place, W1

Floor-space tax

From Mr R. Banks

Sir, — Once again your news item on the Government's plans for rating reform (September 24) illustrates Mrs Thatcher's dilemma. If your report of Kenneth Baker's proposals is true, then he has compounded two errors: 1, an iniquitous poll tax which has no bearing on ability to pay; and 2, a continuation of a tax on improvements via a "floor-space tax" which is a discouragement of development and could have similar consequences to the old "window taxes."

Still more important, under a "floor-space tax" we would continue to give relief to holders of open space land and of land which is very valuable but poorly developed.

Is this Conservative Government still the protector of the privileged "rentier class"? I thought Mrs Thatcher's free market beliefs would have shown themselves in support for a site value rating system by now — or is it never put to her knowledgeably?

Ronald Banks.

Middlehill House,
Middlehill Box, Corsham, Wilts.

Sleeping in Japan

From Mr S. Bliss

Sir,—As one recently back from a stay in Japan, I would like to take issue with a number of points raised by Dr P. F. Kornicki (Sept 24). Surely the very fact that 50 per cent of Japanese do not now sleep on the "floor" is indicative of the fact that the futon set is not all he cracks it up to be. As one of the millions who have slept on the "floor," I would rather suggest that in a standard Japanese single-person's apartment, measuring approximately 9 feet by 6 feet, a bed, legged or not, is totally impractical. On the other hand, Japanese bedding can be conveniently folded and placed in a cupboard during the day, so that the sleeping area can become a living area. Furthermore, the comfortable tatami matting which covers the floor, while indeed never "seeing a shoe" provides a luxuriant abode for the thousands of cockroaches which infest every building. So much for cleanliness.

Washing does indeed take place outside the bathtub, before the Japanese settle in for a brief soak. Bathing does not however suggest to me an obsessive desire for hygiene, indeed the whole family shares the same bath water, but rather provides much needed warmth before bed in houses with little or no central heating during winters for the most part more severe than ours. In summer, I understand, as in England, showers are rather popular.

Austerity or not, the futon set and the traditional bath are really symptomatic of the paucity of Japanese accommodation. Those who do have space generally do have beds, despite the availability of the cheaper more traditional futon. The rest, as I did, can only practically use a futon in accommodation which, I'm afraid, is indeed scarcely bigger than a "rabbit hutch."

Indeed we, as a race, might be more likely to work longer hours in the office, had we not our "castles" to return to in the evening—old though they might be!

S. J. Bliss

42 York Terrace East, NW1

Wages and output

From Mr R. Jones

Sir,—On the subject of wages and output, raised by Mr S. Bronkhurst (September 21) and keeping to the same simple level of logic, may I suggest he rethinks his argument making the "pieces" specific; that is motor cars (or shoes and ships and sealing wax).

Do we really need three times as many motor cars (as a pedestrian and cyclist I say God forbid!)?

No. The only one better off is the worker now getting twice as much for producing three times as much. Much worse off are the two workers now getting nothing for producing nothing.

It may not be quite this simple but I think Mr Bronkhurst would agree that economics and politics are mostly concerned to obscure the issues we will not face!

Richard H. Jones.

7 Maple Avenue, Manchester.

Helicopters overhead

From Mr C. Beney

Sir,—Mr Scuse (September 25) would have us believe that the use of helicopters resulting in multi-million dollar overseas contracts is not a fairy-tale example but happens, as he says, every day, all day. Gosh.

He is quite right though in so far as he says that noise is subjective. He likens a helicopter to a car at 50 ft away. This may be true on an open plaza but does not apply to the domestic or office situation with walls and fences, etc. Even if it did apply is it then reasonable to have "cars" flying over our gardens at 50 ft height?

The helicopter is uniquely obtrusive. Its distinctive sound can be heard for a mile or more, the pilot can often be seen so there is a feeling of being observed by him. On top of this the safety laws are neither understood nor kept to by too many helicopter pilots. Mr Scuse's mention of a helicopter at 250 ft is significant here. The law says they must be some 1,600 ft high in this area and that they must carry clear identifying marks but they rarely comply with either rule. Within the industry they mostly seem to mean well and I believe that they are trying to fly in a more neighbourly way but there is a long way to go yet.

C. Beney,

12, Woodlands Road,
Bushey, Herts.

FINANCIAL TIMES
Friday September 27 1985

LEUTWILER DEBT DISCUSSIONS GIVEN TOP PRIORITY

Pretoria welcomes Swiss mediator

BY ANTHONY ROBINSON IN JOHANNESBURG

SOUTH AFRICA is hoping to call a meeting before the end of next month of its leading creditor banks now that Dr Fritz Leutwiler, the former governor of the Swiss National Bank, has accepted a mediating role in forthcoming negotiations on rescheduling the country's debt.

Dr Chris Stals, the director general of finance who chairs the Standstill Co-ordinating Committee (SCC) set up to organise the South African end of debt negotiations, said he expected to meet Dr. Leutwiler in Switzerland shortly. He plans to discuss the setting up of a meeting with creditors as a "top priority."

Some 28 major creditor banks are expected to be involved in the first round of talks. These will centre on the estimated $14bn of short-term debt which is at the heart of the capital repayment crisis, brought on by the refusal of certain U.S. banks to roll over their loans last July.

This obliged the South African authorities temporarily to close the foreign exchange markets and the Johannesburg Stock Exchange and introduce a four-month standstill of capital repayments from September 2. South Africa's total public and private foreign debt could be as high as $24bn, according to Dr. Gerhard de Kock, governor of the reserve bank two weeks ago.

Dr Stals made clear, however that the South African authorities want to involve all creditors in the negotiations and one of the main problems still to be faced is how to involve the smaller creditors.

"Perhaps the initiative should come from these banks themselves," Dr Stals added.

Over the last three weeks, the SCC, which is staffed mainly by reserve bank experts with the backup of a small secretariat, has concentrated on working out a detailed list of creditors and debtors and providing a channel of communications with foreign bankers.

Dr Leutwiler is understood to be creating his own small staff and the outcome should be a structured framework with Dr Leutwiler acting as a link between the SCC and creditors.

Dr Stals said: "Over the last three weeks, we have established how to keep cash transfers flowing round the world and how to operate within the restraints of the standstill. Now we have more time to think about the policy issues and how to make the system more flexible."

As to the future, Dr Stals said that much would hinge on the October meeting with creditors but that it would be naive to expect an end to all restrictions by the existing December 31 deadline. The aim was to make the system more flexible and move towards phasing it out, he added.

Meanwhile the rand continues to hover around 40 U.S. cents, despite the recent weakness of the dollar and last month's R1.42bn trade surplus which continues to underpin the annual current account surplus of about $5.4bn. Exchange dealers report that reserve bank intervention has been minimal over the past week, while heavy demand from importers forced to pay cash and heavier-than-expected leakages continue to drain the market of funds.

France and New Zealand move to heal rift

By Reginald Dale in New York

FRANCE and New Zealand have set up a working group to study mutual recriminations over the sinking of the Greenpeace ship Rainbow Warrior, M Roland Dumas, the French Foreign Minister, announced in New York. The experts, three from each country, began work yesterday, he said.

M Dumas, in New York for the United Nations General Assembly meeting, said that the working group would assemble a list of claims by both sides, including French complaints against New Zealand. The group was set up at a meeting in New York on Wednesday between M Dumas and Mr Geoffrey Palmer, the New Zealand Deputy Prime Minister.

M Dumas declined to elaborate on what the French complaints were, saying only that they had to do with his country's defence and were long-standing. It was assumed that he was referring to New Zealand's tolerance of protesters against French nuclear test in the Pacific.

M Dumas said that the experts would in a first stage simply record the complaints of each country and have no particular deadline for reporting. It was possible that New Zealand could register a request for the extradition of some of the French agents responsible, he said.

M Dumas insisted, however, that there could be no question of France extraditing its own nationals. He went to great lengths to stress France's sovereign independence in conducting its defence policies and protecting them from interference.

France would continue nuclear testing in the Pacific, M Dumas said, and had taken all the necessary safety precautions. If the French nuclear deterrent was to be modernised, the new weapons would have to be tested, he said.

● Mr David Lange, New Zealand's Prime Minister reaffirmed that his country will make "no deals" with the French Government to allow the two French secret service agents being held in a New Zealand jail to avoid standing trial on charges connected with the bombing and sinking of Rainbow Warrior, Dai Hayward writes from Wellington.

French authorities have suggested that because the two agents were acting under orders they should not be charged in a court of law. Mr Lange has made it clear that the two agents will go on trial and the New Zealand Government repudiates any suggestion that because the agents were acting under orders, they should be absolved from the legal process.

It is believed in Wellington that the French will soon offer substantial compensation for the bombing and sinking of the vessel.

The question of repatriation of the two agents, Major Alain Mafart and Captain Dominique Preur is one of the major sticking points in the discussions between Mr Palmer and M Dumas.

Major Mafart is suing a Sunday newspaper in New Zealand for substantial damages following publication of an article linking him with the French secret service.

New Zealand diplomats have been surprised that Mrs Jeane Kirkpatrick, the former United States ambassador to the United Nations, has publicly intervened in the Rainbow Warrior affair.

Mrs Kirkpatrick said she did not believe the French secret service team which blew up the Rainbow Warrior intended to kill any of the crew. She said there was an important distinction between international terrorism and the sabotage of the Rainbow Warrior by the French secret service agents.

THE LEX COLUMN

Cold comfort for Vicks

Unilever's name has acquired such a magic ring among Wall Street's arbitrageurs that nobody found it excessively odd yesterday that its name should be linked with General Foods just at the moment it was increasing its offer for Richardson-Vicks and suing the Richardson board in a New York courtroom. Unilever may be a large and rich company, with a certain novelty on Wall Street; but even Unilever's coffers might be strained in finding the odd $7bn for both companies.

With its share price up to $110 yesterday, or some 15 times prospective earnings and double the low for the year, General Foods can scarcely ignore the bid speculation swirling around its head. Whatever the identity of Tuesday's mystery suitor – and the best bet remains Philip Morris, following Reynolds in the flight from unhealthy tobacco to wholesome and nourishing Jell-0 – General Foods would need to sound out the field. But while Unilever might be interested in bits and pieces of General Foods, or be tempted to tease Richardson's family shareholders with the prospect of a second front, it would be an ambitious company that was ready to commit to U.S. expansion a sum only just under the capital employed in its last balance-sheet.

Ironically, the higher Unilever raises its offer for Richardson, the lower the cash consideration because of the board's purchase of shares in the market. Assuming Richardson reaches its target of retiring 7m shares, the cost to Unilever of the remaining 17m-odd will – even at yesterday's increased price of $60 a share – be well short of the $1.35bn implied by the last offer at $56. Of course, the difference is made up by the additional debt taken on by the Richardson board: at this rate, one can imagine Unilever paying $60 for the sole remaining share of a company supporting almost $1.5bn in debt.

Unilever has left no doubt whatsoever of its commitment to the fight; and it may hope that, as the gap widens between its offer minus board approval (still at $48) and the $60 cum-approval, some family shareholders might be tempted to dust out the deeds of their family trusts and call up their lawyers. As a proportion of the reduced equity, the family holding claimed as committed to the board would be enough to block the takeover; but how binding these commitments are has yet to be seen.

Vickers

For a company which is so conspicuously eager to please the financial institutions Vickers retains a remarkably old-fashioned attitude towards interim figures. Yesterday's numbers, for the six months to June, were pleasing in almost every respect. The 25 per cent increase in the interim dividend was at least as far ahead of expectations as the 36 per cent rise in pre-tax profits to £18.7m.

But, faced with a murky statement about past and current trading, the stock market took 4p off the Vickers price to leave it at 374p. If the group makes £42m pre-tax for the full year, which it should, and pays a final dividend of only 7p, the shares will look among the cheapest in the engineering sector. A prospective multiple of around 8 and a yield of over 8 per cent are not too demanding on trading grounds, given that Australia has come right, the dollar exposure is well covered and the medical equipment business looks set to enjoy a fresh burst of growth. The prospect of compensation from the European Court – which could be worth £1 a share or more – is in the price for nothing.

Should the court determine that Vickers deserves no additional compensation for the nationalisation of its assets, the group would be almost certain to shoot up the takeover charts. Either way, Vickers seems scarcely to merit its current rating. Acquisitions and disposals have improved the balance of the business, while the price paid by Cookson for entry into the lithographic industry suggests that Vickers' own Howson subsidiary is worth over £100m to the right bidder. If only the company could persuade the market that the days of the banana skin are over, there is no telling what might happen.

Mills & Allen

Following the time-honoured practice of beating its rights-issue forecast by a modest margin, Mills & Allen has indeed produced some very decent figures; by most recent standards, a 36 per cent increase in pre-tax profits – to £27.4m for the year to June – is good going. With a consistent record of 20 per cent growth to support the shares, and even a touch of takeover gossip to liven them up last weekend, there has to be some reason why Mills' shares, up 10 to 355p, still trade on a multiple as low as seven or eight times earnings. As always, there are questions about the quality of the increase, if not of the entire profit stream.

The basic hurdle in the current year, irritating for a foreign broker, is fluctuating currency. On everage dollar exchange rates which moved in Mills' favour from $1.45 down to $1.24, one third of last year's growth was the product of translation; there is every chance that the effect could be equal and opposite this time. Moreover, Mills' New York inter-broker bond dealing activities could come under some margin pressure as the high volume government bond players put the screw on commissions. Mills would claim that negotiated commissions are something with which it is more at home than most financial companies in London, and it can live with falling commissions in a rapidly growing market. But the doubts will probably stop most analysts drawing a straight line through last year's rise in earnings.

Henkel plans DM 400m issue

By Jonathan Carr in Düsseldorf

HENKEL, the family-owned West German chemicals concern that invented Persil washing powder, is to raise more than DM 400m ($153m) through the first public share issue in its 109-year history.

The issue next month, part of a capital increase from DM 300m to DM 575m, will help to arm Henkel for future expansion at home and abroad, not least in the U.S.

It will also give a boost to the German "new issue" business comparable to that brought last year by the stock market introduction of Nixdorf and Porsche shares.

Analysts note that the issue comes as Henkel's profits-to-sales ratio is showing marked improvement as stock prices generally hit record highs.

As a result, the Henkel shares are expected to be bought eagerly when they become available from October 2 through a consortium led by Deutsche and Dresdner banks.

On public offer will be 1.5m non-voting preference shares with a nominal value of DM 75m at a price of DM 285 a share – thus netting Henkel a total of DM 428m. The shares will be officially listed on all eight German stock exchanges from October 11.

In addition to the public issue of DM 75m nominal stock, basic capital is also being raised by a further DM 200m through the appropriation of funds from reserves.

Of that sum, DM 100m will be in the form of ordinary shares and another DM 100m in non-voting preference stock. The latter will not yet be offered to the public, but family members wanting extra funds could sell them later.

Those rather complex arrangements reflect the fact that Henkel is owned by 66 people – descendants of the founder, Fritz Henkel – in three family "clans."

Dr Konrad Henkel, senior partner and supervisory board chairman, noted at a press conference yesterday that it had not been easy for all involved to reach accord. But he was convinced a "happy compromise" had been found to please everyone, including outside shareholders.

He and other executives emphasised that there was no question of the Henkel family's renouncing control – and the company did not urgently need cash from outside. The new funds would give greater flexibility to take advantage of growth opportunities.

Last year, Henkel group net profits rose by 28 per cent to DM 130m on sales revenue up by 10.3 per cent to DM 9.3bn. Capital and reserves made up more than 40 per cent of the balance-sheet total.

On the basis of the first eight months' figures this year, 31 per cent of turnover came from chemicals; 28 per cent from detergents; 18 per cent from adhesives; 15 per cent from hygiene and technical cleansers and 8 per cent from cosmetics.

Unilever raises offer for Richardson-Vicks

BY PAUL TAYLOR IN NEW YORK

UNILEVER, the Anglo-Dutch group in the midst of a bitter takeover battle for Richardson-Vicks, yesterday sweetened its two-tier offer for the U.S. health and skin-care group for a second time. The revised offer maintains the full value of the bid at around $1.35bn.

Unilever said it was raising its tender offer by $2 a share, from $58 to $60, if the revised offer is accepted by the Richardson-Vicks board. But, as before, the offer drops to $48 a share if the board continues to oppose the deal.

On Wall Street Richardson-Vick's stock advanced by $2⅜ to $50 after the revised Unilever offer was announced, perhaps indicating renewed, but far from certain, hopes that the new offer may tempt Richardson-Vicks to the negotiating table.

Unilever restated its desire to meet the Richardson-Vicks board "at any time" and its "willingness to discuss certain tax aspects of the transaction." The group added that, as previously announced, its tender offer is due to expire on October 11 unless extended.

So far, Richardson-Vicks has vigorously opposed the hostile takeover bid and yesterday had no immediate comment on the revised offer. The group has mounted an aggressive anti-takeover defence, parts of which are the subject of extended court battles, which were continuing yesterday.

As part of the defences, Richardson family members have added to their existing stake-holdings while the company itself has launched an aggressive share buy-back scheme. According to U.S. Securities and Exchange filings earlier this week, the family interests and trusts now control about 8.3m, or 48 per cent, of the group's outstanding 17.7m shres which have been reduced from over 23.3m by the company's own share-repurchase scheme.

While the U.S. group's share repurchase scheme has reduced the number of outstanding shares – and helped boost the level of the family stake – it has also increased the company's debt. As a result, the latest Unilever tender offer price maintains the full cost of the takeover offer to the European group, including debt assumption, at around $1.35bn.

Troubled Baldwin-United sues Merrill Lynch for 'false advice'

BY PAUL TAYLOR IN NEW YORK

BALDWIN-UNITED, the Cincinnatibased U.S. financial services group which has been operating under Chapter 11 of the U.S. bankruptcy code since 1983, has filed a massive $1.3bn suit against Merrill Lynch charging the Wall Street investment bank with providing false and incomplete financial advice when Baldwin-United acquired MGIC Investment Corporation in 1982.

Merrill Lynch yesterday described the suit as "frivolous and a bizarre and desperate last-ditch attempt to find a scapegoat for Baldwin-United's misfortunes." The securities firm added that it will defend its position "vigorously and forcefully." Despite this, Merrill's stock fell sharply in early New York trading, dropping $1⅛ to $27⅛.

Baldwin-United borrowed heavily to acquire MGIC, a Milwaukee-based mortgage insurer, for $1.7bn as part of an ambitious diversification plan which took the piano manufacturer into a wide range of financial services.

In its suit, the group alleges that Merrill Lynch "knew or should have known" that the financial condition of MGIC had begun to "deteriorate significantly" in the fourth quarter of 1981 and the first quarter of 1982 because of its knowledge of the industry. Baldwin-United's suit also charges that Merrill Lynch failed to disclose all the facts material to the acquistion and made various false representations of act.

Responding to the lawsuit, Merrill Lynch said: "any allegation by Baldwin-United that they were given improper advice in connection with the financial condition of MGIC is particularly incredible since the fairness opinion prepared by Merrill Lynch was based on information provided by Baldwin-United and MGIC, facts which Baldwin-United agreed to in writing."

Baldwin-United's suit comes as the group is attempting to win approval for its reorganisation plans filed with the bankruptcy courts.

Wall St doubts on intervention

Continued from Page 1

in the dollar without other measures."

The most important of those, according to Prof Rose, speaking in New York yesterday, was meaningful action to reduce the U.S. federal budget deficit, which was keeping U.S. real interest rates at historically high levels.

Prof Rose said one of the main reasons for the timing of last weekend's meeting was to "head off" the protectionist measures now surfacing in Congress. Indeed, Wall Street generally believes that the primary target of the co-ordinated foreign-exchange intervention is the Japanese currency.

However, they also note that while the Japanese central bank has been leading the intervention effort – pushing the dollar/yen exchange rate towards the Y210 level – Japanese investors have blunted the drive by continuing to purchase dollars and dollar-denominated securities.

Japanese corporations were said to be heavy dollar buyers again yesterday morning, having spent over $7bn buying the U.S. currency during the two previous trading sessions. Despite a recent slide in U.S. short-term interest rates, New York money market rates are still higher than those in Tokyo and Japanese investors still appear to have a surprisingly healthy appetite for dollar-denominated securities.

Wall Street notes that the Fed has been aggressively supplying liquidity to the markets this week – leading to a renewed bout of speculation that the U.S. central bank might by preparing for a discount-rate cut – a move which, like the lower dollar, would help to spur the flagging U.S. economy.

But U.S. economists remain highly dubious about whether the Fed would seek to push interest rates lower, simply to try to bring down the dollar, especially against the backdrop of the recent rapid growth in two of the three basic U.S. money-supply measures.

Amid the confusion in the markets about the current strength of the economy and the dollar's longer-term prospects, U.S. bond prices, after initially dipping on Monday, have risen slightly. Perhaps more significantly, the Treasury yield curve has steepened, reflecting the market's deep-seated uncertainties.

Since last Friday, the six-month Treasury bill rate has declined by almost 40 basis points – continuing a trend evident in recent weeks – but the yield on the Treasury long bond has hardly moved, reflecting continued investor caution heightened by rapid M1 growth and the prospect that a decline in the dollar might push consumer prices higher.

A similar uncertainty is now emerging in the U.S. equity markets.

The bottom line is that while most U.S. market participants believe the dollar is trending lower, few are yet willing to predict a further sharp fall

Yen advances as $ continues fall

Continued from Page 1

nors would review the progress of the new policy of co-ordinated intervention when they convene in Seoul in 10 days' time for the annual meetings of the International Monetary Fund and the World Bank.

He felt that the New York agreement should have laid to rest speculation that Japan would be forced to control long-term capital outflows as a way of strengthening the yen. Recently Mr Yasuhiro Nakasone, the Prime Minister, had expressed interest in such an approach.

The official did not foresee changes in Japanese monetary policy, which has been fairly loose, except in the sense that "more emphasis will be given to the appreciation of the yen."

That may be taken as hinting at the unlikelihood of any reduction in the Japanese discount rate, now at 5 per cent.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	26	79	Dubrovnik	S	25	77	Malaga	S	27	81	Salzburg	S	20	68
Akrotiri	S	28	82	Faro	S	28	82	Malta	S	28	82	Seoul	S	23	73
Algiers	–	–	–	Florence	S	26	79	[illegible]	C	30	86	Singapore	S	31	88
Amsterdam	S	18	[illegible]	Frankfurt	S	18	66	Miami	S	30	86	Stockholm	S	11	52
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Readings at mid-day yesterday: C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Gatt calls for new trade talks

Continued from Page 1

again in the first half of this year, Gatt's preliminary data show.

Other sections of the report chart the changing patterns in world trade. The bulk of the restrictions clogging the trading system are directed against the traditional products such as steel, textiles, automobiles and agricultural products, percentage shares of which in the global value of trade declined or, in the case of cars, remained constant in the decade to 1983.

For the first time last year, the value of trans-Pacific trade exceeded that of trans-Atlantic trade. In particular, North American (U.S. and Canada) exports to the Pacific area, including Japan, reached the same size, $84bn, as exports to Western Europe.

Between 1973 and 1984, six new names appeared on the list of the top 20 exporting countries: South Korea, China, Hong Kong, Taiwan, Mexico and Singapore.

Five of them, excluding Mexico, moved into the top 20 importers. Gatt underlines the lesson that "dynamic suppliers are also dynamic customers."

In addition, the fact that four of the six achieved the highest average increases in gross domestic production during the decade testifies to the positive relationship between export growth and economic growth.

SECTION III

FINANCIAL TIMES SURVEY

Intense debate has been caused in Canada over a Government Green Paper on financial deregulation, and the country's first bank collapse in over 60 years.

CANADA

BANKING, FINANCE AND INVESTMENT

CONTENTS

An industry in turmoil

By W. L. Luetkens

Mrs Barbara McDougall, Minister of State for Finance, has come under attack for making an expensive and ultimately abortive attempt to rescue the Alberta-based Canadian Commercial Bank

THE FINANCIAL world in Canada bas been thrown into deep turmoil. The first Canadian bank failure since 1923 occurred in September, following a series of failures and near-failures in the smaller trust ond loan industry. The world wide erosion of dividing lines between the different kinds of financial business bas not by-passed Canada and a great debate bas been raised by Government proposals to modify that regime in the ligbt of recent trends and events.

Lest it be thought that downtown Toronto is a disaster area of imprudent credit managers jumping from their skyscraper windows, it should be polnted out that the mainstream banking industry is doing well in a climate of economic recovery. Loan losses are past their worst and record or near-reocrd profits are ln prospect for the banking year to October 31, next.

The bank failure was that of Alberta-based, Canadian Commercial Bank (not to be confused with Canadian Imperial Bank of Commerce) whicb had total deposits of C$2.6bn (about £1.4bn) at the time. No less than balf that amount came from the Bank of Canada as lender of last resort in pursuance of a vain rescue attempt, made in March, by the federal and provincial anthorities and the banking industry.

At the same time another Alberta bank, Northland, was declared to be no longer viable, hut was allowed to look for someone prepared to take it over. Northland had deposits of C$1.2bn, including C$510m from the Bank of Canada.

Both banks were founded in the mid-1970s when the oil boom made Alberta look like the bankers' promised land. Both came unstuck wben the oil boom collapsed. Their loan portfolios were hopelessly oriented towards the oil industry and real estate in the Canadian West.

As part of the rescue package in March, CCB's problem loans were written down to 55 per cent of book value. But the bank could not find buyers for them at better than about 35 per cent.

Neither bank had o retail deposit base. In that they differed from another, larger, western bank, the Bank of British Columbia, which reacted to the regional problems in the West by a massive write down of problem loans, and now appears to be stabilised if, for the moment, profitless.

The whole affair bas raised the question wbether Canada is a suitable place for regional banks. Mr Bob MacIntosh, president of the Canadian Bankers' Association, thinks that such an inference would be wrong. Regional banks could make a go of lt, he says, provided they have either a retail deposit base or a diversified money market source of funds: or, alternatively, conservative loan management.

In any case, the vast bulk of the Canadian banking industry is national not regional and combines retail and wholesale functions. That is true of the Big Five which, between them, own 90 per eent of the assets of the Canadian-owned chartered banks.

The financial world at large seems to have accepted that the disaster in Alberta was a special case. It caused hardly a ripple in international financial markets.

Within Canada, however, it caused a fulminating row. The opposition wished to know whether banks that had taken part in the rescue operation had subseqnently drained away their own deposits in CCB.

Differences arose as to bow to interpret precisely the Government's undertaking to compensate all deposits in CCB not covered by the Canoda Deposit Insurance Corporation.

CDIC itself only insures deposits of up to C$60,000 each. Dark hints were dropped that foreign bankers were queuing for their share of the compensation money.

There is more to that than the usual fun and games between Government and opposition, and the recriminations that inevitably follow every bank failure. The entire episode tended to support the widely held belief thot bankers are somehow not to be trusted. That may yet complicate the caotious deregulation planned by the Progressive Conservative Government.

As it is, the Green Paper tabled for discussion in April by Mrs Barbara MacDougall, Minister of State in the Finance Ministry, offered nothing to the banking industry, except the good intention to establish a more modern supervisory system. The important innovations were intended to belp the bankers' competitors in the trust and loan Industry and elsewbere.

Canadian law pretty well reserves corporata or commercial lending to the chartered banks. Trust companies may only hold 7 per eent of their assets in commercial and personal loans: insurance companies are exeluded from commercial lending. The trust comanies are still smarting from a revlslon of banklng law in 1967 wbich allowed bankers to compete witb them ln their own field of mortgage lending. So they have been clamouring for enhonced powers of commercial lending.

Mrs MacDougall did not offer them that. But she suggested that financial bolding companies should be permltted to own banks of their own, making possible tbe setting up of financial conglomerates combining banking, trust business and insurance.

Thot breaks with the principle so far establisbed that sueb activities sbould be kept seporate, and with the principle tbot Canadian banks must not be uoder the majority control of any shareholder.

An exception to that ownership rule bas been made for foreign-owned banks. Canadian affiliates of foreign banks may be wholly-owned by their parents, but are under strict limits upon the Canadian assets they may own.

Mrs MacDougall's proposals would largely retain existing restrictions upon forelgn takeovers of existing Canadian financial institutions. No single foreign shareholder may own more than 10 per cent and foreign shareholders together may not own more than 25 per cent of any Canodian bank (other tban the special category of foreign bank affiliates), or of federally incorporated life insurance, trust and mortgaga loan companies. Foreigners may, however, freely form life insurance, trust and loan companies of their own.

The Green Paper proposes to retain that regime and to extend the rules to financial holding companies: free entry for foreign non-financial institutions, but application of the 10-25 per cent rules to acquisitions. Foreign owned bolding companies would not be permitted to set up the new type of closely held bank proposed by Mrs MacDougall.

Her lnvention is to be called o Schedule C bank, as opposed to tbe normal A bank and the foreign-owned B bank. Its chances of seeing the light of day have dlminished since the Green Paper came out in April. The trust and loan companies have been unenthusiastic because of the Government's intention to crect Chinese walls to prevent o C bank dealing at less than arm's length with other members of the same group.

For the Bankers' Association, Mr MacIntosh says flatly that if financial holding companies are to be allowed to own banks, then those holding companies should be subjected to the same ownership restrictions as the A banks: no one shareholder may own more than 10 per cent of an A bank's equity.

The Association's case has been reinforced by problems that have arisen in recent years at several closely-held trust companies, with some cases, at least, bordering upon fraud.

Tbe fact of the matter, however, is that events have to some extent overtaken the neat regulatory division of tho Canadian financial industry lnto banks, trust companies, insurance companies and investment dealers.

Trilon, a member of the Brascan group, has interests in a trust company, a life insurance company and a property agency. Mr Paul Desmarals and his Power Corporation have fingers in trust business, insurance and the rendering of personal financial services. In Quebec provincial law permlts insurance companies to sell securities. And Genstar, a real estate and bullding moterials group, this month acqulred control of Canada Trustco. As a result no major Canadion trust company remains widely held.

None of tbis was prevented by the notion that the Canadian financial industry is divided among four pillars tbat will stand separately for ever. Legislators, regulators and supervisors are going to be kept on the hop for a long time.

CANADA—Banking and Finance 2

Hopes switch to stimulus from within

The Economy

W. L. LUETKENS

THE ECONOMY of Canada is well into its third successive year of steady growth after having suffered the sharpest setback since the great recession. The recovery so far has been largely export led, pushed along especially by U.S. demand for Canadian automotive products.

Signs are now multiplying that that particular phase may be over, especially if the U.S. economy falters. Hopes for next year and for 1987 now reside in a typical cyclical rebound of consumer demand and in a revival of business investment.

A quick review of the present status shows forecasts of real growth of about 3.5 per cent this year: unemployment, seasonally adjusted, of around 10.5 per cent: a healthy but declining trade surplus, and a small and also declining surplus on current account.

The inflation rate has come *down* below 4 per cent and is sufficiently close to that in the U.S. to cause no major problems. Wage settlements remain modest — up to 5 per cent in the booming Toronto area.

Fixed business investment has been showing signs of coming out of the doldrums, though there is no consensus on how strong the revival will be. It has produced a welcome increase of demand for commercial credit after e period in which corporate treasurers were concentrating on mending their balance sheets.

The overall picture owes something to the confidence re-established in the business world by the return, a year ago, of a Progressive Conservative Government led by Mr Brian Mulroney. But the underlying causes for the improvement for Canadian economic fortunes are cyclical and, more specifically, to be found in the Reagan boom in the U.S.

The Government's pledge to reduce the federal budget deficit and to channel resources from the public to the private *sector has been difficult to put* into practice. The budgeted deficit in 1985-86 is for C$33.8bn (about £19bn), compared with an actual shortfall of C$35.8bn in the last financial year.

That is a substantial cut, even though on e per capita basis the deficit still is among the highest in the world. But during the budget debate Mr Michael Wilson, the Finance Minister, had to surrender to more than one special interest. He covered expenditure costs thus lost by edditional tax increases, hard to reconcile with his overall strategy.

Since the Mulroney Government was in its first year of power, with a smashing majority at that, the question has been raised as to precisely how strong its commitment is to reshaping the Canadian economy.

Deficit cutting is likely to become progressively more difficult politically as the next election (probably in 1988) approaches, and as the economy slows down.

Already it is clear that some of the personal tax increases will begin to take their toll next year when most economists expect slower growth.

There is a widespread consensus that growth next year will be down to about 2 per cent, from the 3.6 per cent in prospect for 1985. Some forecasters have been revising their 1986 forecasts upwards into the region of 4 per cent. That would seem to postulate a stronger performance in the U.S. than is generally expected. Canada depends for a third of its GNP (Gross National Product) upon exports, and its North American neighbour *buys about 70 per cent of* these.

That apart, there are additional factors that could give the economy a welcome push: the deregulation of the domestic oil price has made oil cheaper: the trend of interest rates is downward: and inflation appears to be under control.

For the time being, U.S. demand for Canadian exports has slackened, causing the trade surplus to shrink from C$[illegible].7bn in 1984 to C$18.8bn on a seasonally adjusted and annualised basis in April-June 1985. The surplus in July, at C$148m was the lowest in any month since April 1980.

The record trade surpluses of the past three years were large enough to bring about surpluses on the current account as a whole which are untypical of Canada's long-term experience.

Normally capital imports have weighed up current deficits in the Canadian balance of payments. But in 1982 the current account went into surplus. This rose as high as C$2.6bn in 1984. By April-June 1985 it was down to *C$1.4bn (again annualised* and seasonally adjusted), and the end of the surplus years is forecast for 1986.

It is somewhat puzzling why this period of strength on the current account should not have given the Canadian dollar more strength vis-a-vis the U.S. currency, especially since the Bank of Canade has been keeping short-term interest rates above U.S. levels and since the inflation rate is close to that in the U.S.

A possible explanation for the position of the Canadian dollar is that the markets expect the inflation rate in Canada to start rising again.

Canadian Prime Minister Mr Brian Mulroney. The question has been raised as to precisely how strong is his government's commitment to reshape the country's economy.

The recent decline of current account surpluses is another probable reason.

Forecasters do not expect the Canadian dollar to move very far this yeer or next from its present value of about 73 U.S. cents. At that rate it is far below the neer-parity seen 10 years ago: but it is also well up against the currencies of most European trading netions and, perhaps more important, those of Canada's competitors in world mineral markets.

For many years now the Canadian mining industry has suffered cut-throat competition in world markets, as well as the sluggish demand characteristic of recent times.

Canadian exports are very much resource oriented—minerals, forest products, and oil and gas, sold to the U.S. Each of these sectors has seen its peculiar difficulties: some forest prodncts have been threatened with protectionist devices in the U.S.: after deregulation the Canadian oil industry seems to have had some difficulties getting its pricing policies in order and no pricing system for natural gas has as yet been devised.

That explains why the benefits of economic recovery have been unevenly distributed. Ontario, the main manufacturing province, has done well: so to a lesser degree has Quebec. But the East, with its dependence on fishing and forestry and a high cost offshore oil industry not yet properly on stream, has lagged. So has the West, suffering from poor wheat prices and from weak prices for oil.

Deregulation of the oil prices which has been accompanied by a heavy reduction of the tax and royalty burden on the oil and gas industry has brought at least the prospect of recovery to the West—something that would greatly assist the financial institutions whose western real estate and oil loan portfolios have been a cause of much concern.

Exploratory activity is indeed rising, and some of the ambitious schemes of the 1970s for extracting oil from the vast resource in the Athabaska sands have been revived, though on e heavily reduced scale.

Exploitation of the gas reserves in the Arctic islands on any significant commercial scale is still a long way off, and the hoped for bonanza in the Beaufort Sea is as elusive as ever.

These frontier and unconventional resources remain a hope for the future rather than a solid source of revenue, even though the Syncrude oil sands plant is operating profitably.

Conventional reserves in Alberta and British Columbia, however, have proved to be greater than expected and have not yet begun their expected decline.

It is here that the Mulroney Government has pushed through its philosophy of deregulation, hoping that the abandonment of the highly interventionist National Energy Programme of its Liberal predecessors would stimulate investment and, hence, the economy overall. There are signs that it is, indeed, beginning to happen, though the extent of the stimulus remains to be seen.

The other deregulatory achievement of the administration is the lowering of obstacles to foreign direct investment. The effect on the manufacturing industry remains to be awaited. Most of the financial industry is subject to its own regime, and existing restrictions on foreign entry are not affected by the abolition of the Foreign Investment Review Agency.

Banking is governed by the Bank Act which does permit foreign-owned banks to be set up, though under strict restrictions upon size. The position as regards foreign entry into the securities industry is discussed in another article of this survey.

The overall impression is that the Mulroney Administration has made a reasonable start, aided very much by the cyclical pattern in the North American economies. (Indeed, recovery began well before the Progressive Conservatives came to power.)

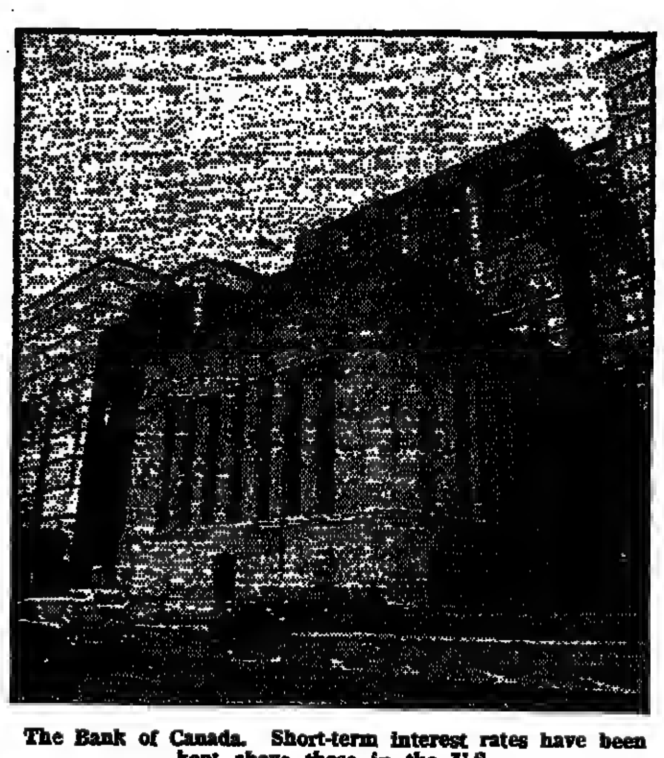
But it has run into several road blocks. In particular nobody can tell what will come of the proposed negotiation of a form of free trade agreement with the U.S. No verdict is yet possible on the Government's economic strategy.

Financial Assets of Canadian Financial Institutions, 1967 and June 1984

	C$bn		Per cent of system assets	
	1976	1984	1967	1984
Major deposit-taking institutions				
—Chartered banks	24.9	213.9	34.3	37.4
—Trust and loans	7.0	63.3	9.6	11.1
—Co-operatives	3.3	40.2	4.5	7.0
Contractual-savings institutions				
—Life insurers*	12.8	63.4	17.6	11.1
—Trusteed pension funds	8.0	83.8	11.0	14.6
Other financial institutions				
—Private sector†	10.8	62.9	14.9	11.0
—Public sector‡	5.9	45.1	8.1	7.9
Total	72.7	572.6	100.0	100.0

* Includes their accident and sickness insurance operations and segregated funds.
† Includes property and casualty insurance companies, sales finance and consumer loan companies, investment dealers, mutual funds, Quebec savings banks, mortgage investment trust corporations, financial leasing companies and business financing corporations.
‡ Excludes the Bank of Canada.

Source: Financial Flow Accounts, Canada Gazette, and Bank of Canada Review



The Bank of Canada. Short-term interest rates have been kept above those in the U.S.

Improvement in the size and quality of earnings

Banks

W. L. LUETKENS

BANK PROFITS have taken a decided turn for the better in Canada this year. Though one small bank collapsed in the third quarter and another may not survive, aggregate profits in the whole system of Canadian-owned chartered banks during the year to October 31 are going to match or exceed the record profits of C$1.7bn (about £940m) chalked up in 1982-83.

Moreover, the quality of those profits will be more solidly founded because—failing a recession of new disasters in the Third World—loan losses have probably passed their peak.

In addition, the trend towards lower interest rates should permit banks to retain the higher spreads recorded in the third quarter of the current year of account.

The collapse of Canadian Commercial Bank and the near-collapse of Northland Bank are dealt with in the article of this Survey covering western Canada, where they are based. But it should be noted that they differed from almost all other Canadian-owned banks in having loan portfolios heavily concentrated in the energy field and in western real estate.

The worldwide troubles of the oil industry, which reflected on western property values, took heavy toll of these two banks. Besides, unlike most of the others, and in particular the Big Five, CCB and Northland had narrow deposit bases, being heavily dependent upon wholesale funds.

These two banks, therefore, were special cases or even "unique," in the word of Mr Hugh Brown, bank analyst of Burns Fry, the Toronto investment dealer.

Together they accounted for less than 1 per cent of the assets of the Canadian chartered banks. Tha older and bigger banks have had their fair share of troubles in the 1980s, but have ridden them out on the far wider basis of their business.

The extent of those problems can be measured by tha fact that loan losses of the Canadian banks during the past four years came to C$10bn (or 4 per cent of loans outstanding), with domestic losses exceeding those in the Third World. The financial troubles of Dome Petroluem, of Massey-Ferguson and of a multitude of medium and small enterprises are sufficient explantion of the risks that arose in the banks' Canadian business.

Loan losses have been declining for the second year in succession and, all going well, fairly steep declines are in prospect during the next two years. Not only will that strengthen the whole system, it will also improve the quality of the profits reported. Canadian banks debit provisions for loan losses to their accounts on a sliding five year average of actual loss.

When actual losses exceed that average the effect is that earnings are overstated. When, as is now happening, the average exceeds actual losses, earnings are understated but more solidly based.

Profits per share—unlike aggregate profits—have not yet begun to show a significant advance. Prospects for 1985-86, however, are looking brighter.

The reasons for stating that the quality of profits is improving, however, do not end there. Aggregate claims on 32 Third World countries amount to C$25bn. Given the question marks overhanging many of those claims, the banks beve been building up a general sovereign risk reserve of C$2bn which is expected to increase by another C$1bn within a year. Such a precaution may diminish the amounts evailabla for distribution to shareholders: but it does increase the inner worth of the banks which they own.

The same is even more true of the broader capital bases which the major banks hava been giving themselves under some pressure both from events and from the federal regulatory authority.

According to Burns Fry, total leverage (meaning the factor by which assets exceed primary and permanent secondary capital) rose from 16 to 30 between 1980 and 1981, and bas now come down to 25.

For the shareholder that has meant that profits per share—unlike aggregate profits—have not so far begun to rise significantly In the industry, though forecasts for the current year and for 1985-86 are looking better.

Mr Brown of Burns Fry, speaking very much from the shareholders' point of view, says that light can be seen st the end of the tunnel—"though we're not yet coming out into the sunlight, dancing." Mr Roy Palmer, of another stockbrokers, Alfred Bunting, who has been making the point that the quality of earnings is improving, also adds his caution: "The prospects appear favoureble for higher earnings in 1986 but let's guard against euphoria: the international debt problem remains grave and will sometimes re-emerge as the major concern for investors."

As regards individual banks, Toronto-Dominion (T-D) and the National Bank of Canada remain the analysts favourites, with returns on assets well above the everage.

The T-D's eminence is attributed to good management, but also to the fact that its business is heavily concentrated in Ontario which has led the current economic expansion in Canada. The Canadian Imperial Bank of Commerce (CIBC) has also begun to win plaudits after a poor patch.

On the face of it, the cyclical position remains fevourable for increased bank earnings. A further declinc of interest rates, which tends to improve spreads, is probale. And there are signs that investment intentions in industry, and with them demand for commercial credit, will at last pick up.

Performance of banks

	Assets (C$m) July 31, 1985	Return on assets (%) for year to July 31, 1985
Royal	91,664	0.53
CIBC	72,820	0.52
Montreal	80,046	0.50
Nova Scotia	58,086	0.50
Toronto-Dominion	50,328	0.89
National	21,517	0.77
Continental	6,248	0.29
Mercantile	4,419	0.29
Brit. Columbia	3,250	−0.10

But there is no certainty. There is a consensus, though no unanimity, among economists that growth will slacken in the economy next year. The latest trade figures show a slackening of export demand from the U.S. which, in the past two or three years, has been the main expansionary element for Canada.

That broad brush picture apart, there are some special situetions that mar the outlook a little.

The difficulties of the two banks in Alberta seem to have had no visible deleterious effect upon confidence in the large banks (apart from the bad publicity which inevitably reflected upon the entire indnstry). But some smaller institutions, and especielly those relying upon wholesale deposits for funding, may be squeezed into paying marginally higher interest rates.

One important western bank, the Bank of British Columbia, which was caught up in the difficulties of the region, undertook a thorough pruning of its asset portfolio end a management shakeup. Bank analysts believe that the position of Bank of B.C. has stabilised, but a resumption of dividend payments is not in sight.

Nor is there much cheerful news ebout the foreign-owned banks in Canada, the so-called Schedule B banks, which operate largely in the wholesale market.

They ere credited with having brought a fresh wind of competition into the system since their inception under the Bank Act of 1980. For most of their lives they have operated in an atmosphere of low credit demand from industry and they have also bad difficulties achieving a good return on assets.

Return on everage assets for the Canadian banks avereged 0.51 per cent in the quarter to July 31. For B banks it averaged 0.38 per cent.

That everage, of course, hides great discrepancies between the performances of the foreign-owned banks. Several U.S. banks are among the leaders of the pack, but Standard Chartered of Canada, Credit Suisse and Union Bank of Switzerland all turned in better than average performances.

The foreign banks, even more than the Canadians, stand to benefit from a revival of demend for commercial credit which may be taking place. At least those with potent owners abroad should not suffer from the uncertainties thet the Alberte story mey cause in the inter-bank market.

THE FOUR PILLARS

● Chartered banks are the only institutions with full freedom in commercial lending. Number: 72, including 14 domestically controlled schedule A banks and 58 foreign-owned schedule B banks. All banks are regulated by the federal government in Ottawa. Largest: Royal Bank of Canada, Bank of Montreal, Canadian Imperial Bank of Commerce, Bank of Nova Scotia, Toronto-Dominion Bank.

● Trust and mortgage loan companies may offer discretionary and fiduciary services, but are limited in the monnt of their commercial lending. They offer n wide range of deposit accounts and real estate agencies. Number: 66. Most are provincially regulated. Largest: Canada Trust, Royal Trust, National Trust, Canada Permanent.

● Insurance Companies are allowed to underwrite life insurance and issuc life-contingent annuities. Number: 571, of which 186 are life insurers and 314 property and casualty companies. Most are federally regulated. Largest: Life—Sun Life, Manufacturers Life, Great-West Life, Property/casualty—Co-operators General, Royal, Lloyd's of London.

● Investment dealers have a monopoly on corporate securities underwriting and stock exchange membership. Other activities inclnde merger and acquisition advice, some deposit-taking and research. Number: 70, all provincially regulated. Largest: Dominion Securities Pitfield, Wood Gundy, Burns Fry, Richardson Greenshields, Merrill Lynch Canada.

Source: The Regulation of Canadian Financial Institutions (Government Report, April 1985); Financial Post 500.

Profile: National Bank of Canada

Eyes cast abroad

THE contrasts in National Bank of Canada's performance over the past three years are remarkable. The product of a 1979 merger between Bank Canadian National and the Provincial Bank, the country's sixth largest banking group stumbled to a C$28m loss in the first quarter of 1982. Directors' fees were halved, and the bank ran newspaper advertisements in its home province of Quebec assuring customers that it would survive.

National Bank has not only survived, but prospered to the point where it is widely regarded — with Toronto-Dominion Bank (T-D)—as one of the best-managed institutions in the country. Chairman and chief executive officer Michel Belanger, aged 56, was recently named by Institutional Investor magazine as one of five international bankers of the year, and he is sometimes mentioned as e future Governor of the Bank of Canada

National's return on assets reached 0.67 per cent in tha three months to July 31, exceeded among the six largest banks only by T-D's return of 0.78 per cent.

Assets stood at C$21.5bn, 12 per cent higher than a year earlier. The bank's share price has doubled on the Toronto Stock Exchange in the past year.

Quebec still contributes 85 per cent of National's Canadian business, and its low exposure in western Canada has helped it to avoid the drag of non-performing real estate and energy loans which have troubled most of the other major Canadian banks.

Mr Belanger, a former Quebec civil servant and President of the Montreel Stock Exchange, says that National will fight to preserve its market share in Quebec. But be sees the best opportunities for rapid growth outside Canada, and the bank's expansion in the past year bas centred on the U.S. Offices were recently opened in Atlanta and Dallas, and the U.S. now accounts for about 6 per cent of total assets, up from 2.5 per cent 18 months ago.

Mr Belanger hopes that as a Canadian bank, "being friendly but fer away," National can pick up corporate business in the Sunbelt and the Mid-West of the U.S. It is bigger than most American regional banks with an international reach that few of them can match. The bank is concentrating on two types of business in the U.S.: participation in loans to large (predominantly East Coast) companies, and e wide range of services to medium-sized firms as one of four or five regular bankers.

National also has branches in London, New York, Chicago and Hong Kong. Earlier this year it took a 60 per cent interest in e Hong Kong-based joint venture which will initially specialise in counter-trade, but which one National Bank official describes as a move into merchant banking.

One potential flaw in National's armour is its relatively heavy exposure to Latin America. Loans to Latin American and Caribbean borrowers made up almost 10 per cent of total assets at the end of fiscal 1984, with about two-thirds to Brazil and Mexico.

The sensitivity of the bank's earnings to its Latin American business was reflected in its recent third quarter results. Interest receipts from Argentina during the quarter, totalling C$10.7m, contribnted 20 cents of the three months' income of 93 cents a share. Overdue interest on sovereign loans bed climbed to U.S.13m on July 31 from U.S.$5.4m a year earlier.

Mr Belanger does not view tha problems with Latin American debtors as a threat to the bank's financial health. He points out that capital and reserves have been raised substantially, roughly doubling since 1982.

The ratio of total capital to gross assets has moved up in the past year from 5.4 per cent to 5.8 per cent. Provisions on sovereign risk loans to more than two dozen "problem" debtors identified by the Inspector-General of Banks have risen to 9.6 per cent of loans to those countries, from less than 6 per cent last October.

National Bank is in the process of strengthening its capital base further. It issued 4m warrants last June entitling holders to buy one common share for each warrant by mid-December. The purchase price is C$18.50 a share, well below Netional's current share price.

The issue represents another breakthrough for Canada's only francophone bank. It is the first recent issue of shares by a Canadian bank at a price above tha institution's book value. A number of other banks' shares are trading at a discount.

Bernard Simon

Heavy burden on supervisory system

Regulatory Climate

BERNARD SIMON

THE SUPERVISORS of Canada's financial institutions have seldom had more on their plates. Confronted with a slew of new challenges in the wake of rapid changes in the domestic and international environment, they also find themselves in the middle of an unprecedented public debate on regulatory reform.

At least four reports on key sectors of the financial system have been published in the past year. The Federal Government has released a discussion paper on the regulation of federally incorporated institutions. A committee headed by the senior partner of a Vancouver securities firm, Mr Robert Wyman, has proposed sweeping changes in Ottawa's deposit insurance scheme (dealt with in a separate article in this survey). The Ontario Securities Commission has examined ways of opening the Toronto market to greater foreign participation. Finally, another commission led by Prof. Stefan DuPre of Toronto has produced a report on Ontario's financial institutions.

New perspectives on many of the issues raised by these investigations have surfaced in recent weeks in the wake of the well-publicised troubles of the two Alberta banks, Canadian Commercial and Northland.

There is little doubt, for instance, that their problems—leading to the first collapse of a Canadian bank in 62 years—will reopen debate on many of the key proposals in the Federal Government'e Green Paper, and delay their implementation.

The task of regulating financial institutions in Canada is split between federal and provincial anthorities, with the former having euthority over banks as well as federally incorporated trust companies and insurers, and the latter overseeing the securities industry and the provincially registered trust and insurance groups. The key officials at the federal level are the Inspector-General of Banks and the Superintendent of Insurance, both reporting to the Finance Ministry.

Provincial rules vary widely, as do the powers and resources of provincial regulators. These discrepancies — notably the relaxation of some curbs on ownership of financial institutions in Quebec and proposals for trust company and securitiee industry reform in Ontario —have also contributed to the present climate of uncertainty.

Framework

The most far-reaching of the recent spate of reports is Ottawa's Green Paper. Its recommendations are designed to bring the regulatory framework into line with recent developments in tha financial services industry, especially the emergence of financial conglomerates with a single dominant shareholder.

The growth of these conglomerates has been a key factor blurring some of the distinctions between tha "four pillars" of the financial system (banks, trust companies, insurers and investment dealers).

The Green Paper proposals take eccount of growing links between different types of institution, but also suggest ways of controlling them and minimising the scope for abuse. At the same time, the paper reflects e widespread conception among Canadians that, in the words of one senior Government official, the banks are "big and nasty" while other institutions are "small and struggling."

The main recommendation is for the creation of federally regulated financial holding companies as umbrellas for institutions controlled by a dominant shareholder. The potential scope of the holding company's interests would be broad, including the possibility of setting up e bank, to he known as a "Schedule C" bank. (Schedule A banks comprise the 14 domestically owned institutions, while the 57 foreign-owned banks are included in Schedule B.)

The concept of Schedule C banks as subsidiaries of financial conglomerates is a radical departure from traditional Canadian rules which have up to now barred any shareholder from owning more than 10 per cent of an "A" bank.

The Green Paper proposes a number of safeguards to discourage conflicts of interest and "self-dealing." There would be an outright ban on dealings between any arm of a financial conglomerate and any other person or group in a position to control or influence it.

Investors and depositors would be protected by a Financial Conflicts of Interest Office. Trust companies would have to set up "Chinese walls" to separate their fiduciary business from other activities.

No concessions to the big domestic banks were envisaged in the Green Paper, at least until the next review of the Bank Act, scheduled for 1991. Curbs on their ownership would remain intact, as would restrictions on their ability to diversify into fiduciary services or insurance. (The recent OSC report would allow Schedule A banks to take an interest fo up to 30 per cent in securities firms, though that would require changes to existing federal law.)

With the notahie exception of the banks, the Green Paper was initially welromed in most quarters. But as summer has progressed, tha mood appears to have swung against its main proposals.

Even some of the emerglug conglomerates, supposedly the main beneficiaries, seem to have had second thoughts, concerned that tha strict rules to control conflicts of interest and self-daaling may inhibit rather than broaden their room for manoeuvre.

Protested

Tha big banks have protested strongly, with several publishing special booklets to air their views. According to the Bank of Nova Scotia, "it would be extremely difficult for regulators to detect and block (conflicts of interest) before it is too late. Better to largely eliminate the environment that breeds self-dealing by requiring deposit-taking institutions to be widely owned."

Snch arguments have up to now drawn heavily on the experience with three Ontario trust companies which collapsed in 1983. Opposition to the creation of Schedule C banks is likely to draw further strength from the more recent bank troubles in Alberta, even though these banks were not closely held.

Conflicts of interest are not an issue in the CCB and Northland affair, hut experience with the two banks has illustrated the difficulties facing regulators even in a widely-held institution.

Supervisors in Ottawa clearly had little idea of the magnitude of the problems in Alberta, especially et CCB where one-third of the bank's loans were found to be non-performing.

Although Government inspectors periodically visit banks, the Inspector-General does not audit them or examina their loan portfolios in any detail. The euthorities have relied on external auditors to tip them off about dubious loans and about the overall viability of institutions.

The role of euditors in alerting the authorities to potential trouble spots such as the valuation of assets, inadequate write-downs and loan loss provisions is likely to play an important part in the renewed debate on regulatory reform.

Meanwhile, the Inspector-General has begun appointing a group of recently retired bankers as Government consultants to help examine banks' lending practices in more detail.

Minister of State for Finance, Barbara McDougall has unveiled plans to rush new legislation through Parliement giving regulators wider powers to put "realistic" values on banks' real estate assets, and to vet mergers and takeovers among banks.

Given the growing realisation that present supervisory systems are stretched to the limit, there is likely to be scant support for measures — such as those outlined in the Green Paper — which would increase the load of reguletors. Ottawa's earlier hopes of turning the Green Paper'e recommendations into legislation before the end of the year thus appear to have faded.

Profile: Mrs Barbara McDougall, Minister of State for Finance

Need for more sophisticated regulatory parameters

BARBARA McDOUGALL, a soignée former journalist who made good, is et the eye of the storm caused by Canada's first bank failure in more than 50 years. With some of the most respected civil servants in Ottawa, Mrs McDougall has been ettacked by the opposition parties for making an enormously expensive and ultimately abortive attempt to rescue the Canadian Commercial Bank.

That storm will probably blow over, at least for Mrs McDougall who, as Minister of State (Finance), carries political responsibility for the country's financial industry. But it will cause a lot of heart searching and some second thoughts about Mrs McDougall's proposals, made in a Green Paper, for restructuring the regime governing Canadian financial institutions.

It will also drive home the need perceived by Mrs McDougall to tighten a supervisory system that has been unable to prevent a series of collapses, first in the trust industry and subsequently at Canadian Commercial Bank.

In keeping with the philosopby of centious deregulation embraced by tha Government of Mr Brian Mulroney, e key proposal in Mrs McDougall's discussion paper would sanction the formation of financial conglomerates now emerging in Canada.

Such conglomerates, through a holding company, would be allowed to own fully fledged banks of their own, cutting ecross the established principle that Canadian banks must not heve individual shareholders with stakes above 10 per cent. (An exception has been made for foreign owned banks which may be closely held, but are under controls governing their size.)

Mrs McDougall readily admits that the Green Paper is e discussion paper, not a set of cut and dried proposals. But she also says that tha principles behind the paper must stand.

"What we are really talking about is standards and quality —not de-regulation and re-regulation" she said in an interview. The existing supervisory system, she said, was devised for times before the recent worldwide revolution in financial markets and before the recent rapid increase of the number of chartered banks in Canada.

"I think we need more sophisticated regulatory parameters: thet includes some technology: it includes e better quality of people." Mrs McDougall said she was not speaking about any particular personalities, but rather about the ebility to call in experts in certain areas to give flexibility.

It is hard to dispute that the Canadian reguletory system can do with some tidying up. Banks, trust companies, insurance and the securities industry come under separate authorities. In some cases federal and provincial governments heve parallel or even conflicting regulators and policies.

Mrs McDougall is relying on the improved climata between Ottawa and the ten provinces, which Mr Mulroney has brought about, to help with the latter anomaly.

Her own career has given her much experience of financial industry and the changes which have occurred in it since the 1960s.

Born in 1937, Mrs McDougall received an honours degree in economics and political science from Toronto University in 1960. After some journalistic writing on financial matters, she became a chartered financial analyst in 1973, and executive director of the Canadian Council of Financial Analysts in 1982.

Previously she had served as portfolio manager of a western Canadian trust company and as vice-president of A. E. Ames, later Dominion Ames, a leading Toronto eecurities firm.

In 1984 Mrs McDougall was elected to Parliament in the Pregressive Conservative landslide and was immediately appointed to her present ministerial post.

The Green Peper proposal to permit tha establishment of closely held Canadian banks is Mrs McDougall's most controversial contribution so far to the debate about the future of Canadian financial industry.

It breaks with an ingrained tradition. She proposes strict rules to eliminate conflicts of interest and to bar the use of clients' fands to benefit the business of a shareholder or director. But the recent failures of several closely held trust companies, in soma cases under fraudulent circumstances, have added spice to the dehate.

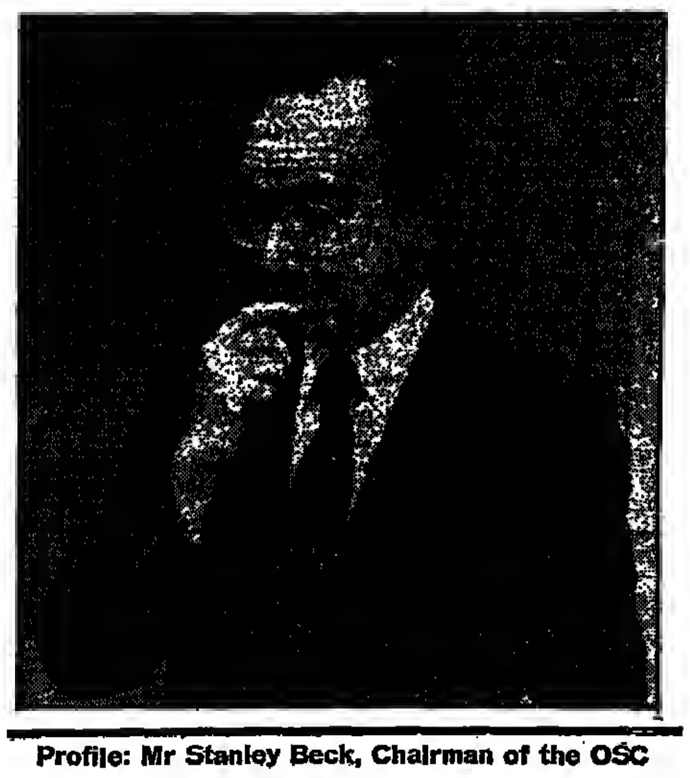
Mrs McDougall sets limits to the process of conglomeration. The existing distinction between various functions such as banking or the management of trust funds should be preserved as separate affiliates of holding conglomerates.

"I prefer to clarify what is a henk, what is a trust company and what is an insurance company," she says. But she accepts that in the market place conglomerates already exist.

"I can either roll them back," she says. "Being a market-place person I am not enchanted with that idea. Or I can hring them into the structure. My objective is to bring tham into the structure. But I don't want to prejudge what comes ont of the discussions we are heving right now."

At times it must feel like trying to square the circle.

W. L. Luetkens



Profile: Mr Stanley Beck, Chairman of the OSC

Eager to expand outside links

MR STANLEY BECK became chairman of the Ontario Securities Commission (OSC) two months after Canada's pace-setting securities watchdog published its report last February calling for greater outside participation in the Toronto-based brokerage industry.

The new chairman's commitment to the report's guiding principles eppears to be as strong as that of his predecessor, Mr Peter Dey. According to Mr Beck, "I think there must be an opening up in a way that will preserve the Canadian character of the industry. The only question is the degree and the pace."

Mr Beck, aged 51, will have a little more time than previous OSC chairman to put his ideas into practica before returning to Toronto's prestigious Osgoode Hall law school where he was dean, prior to moving to the OSC. His three-year term of office is one year longer than normal.

On the other hand, Mr Beck is anxious that the provincial government should start implementing the OSC proposals soon, if possibla before the end of the year. (The recommendations include allowing foreigners to own up to 30 per cent of e registered investment dealer, and creating a new class of foreign-controlled dealers whose growth would be limited by capital ceilings, similar to those imposed on the assets of foreign - controlled banks in Canada).

He wants securities industry reform to go ahead even if the future of the other threa pillars of the financial system remains undecided. "We can't wait for all these other events," Mr Beck says.

The new chairman says that tha choices facing investment dealers are "just the Canadian dilemma pushed over into the securities market. How do we maintain a viable domestic industry while still remaining an international player, and without being swamped from New York?"

One of his highest priorities is to ensure that Toronto secures a position "right at the top" of second rank financial centres below London, New York and Tokyo. While Canadian financial markets are already well-developed for an economy of Canada's size, Mr Beck is eager for Toronto to expand its links both with other Canadian markets and internationally.

The Toronto Stock Exchange's electronic trading link with the American Exchange in New York, dna to be inaugurated in late September, is viewed as an important milestone, representing the first two-way market between trading floors in different countries.

Mr Beck wants to see the efficiency of the Toronto market improved further by installing new electronic data gathering, retrieval and analysis systems to allow companies to file prospectuses through a computer and to give instant access to information on insider trading disclosures, new prospectuses and so on.

He helieves there is scope for closer co-operation among stock exchanges in Canada for the benefit of issuers and investors. Mr Beck intends to press his counterparts in other Canadian provinces to move towards uniform filing requirements and takeover bid rules. "Because it is a federal system without a national regulator, you have to have a high degree of co-operation," he argues.

A visiting fellow at All Souls College, Oxford in the mid-1970s, Mr Beck expresses admiration for tha pace of reform on the London Stock Exchange. Whether Canada should follow the UK's example is a different matter, but Mr Beck asserts that "the pace of change is dramatic, and we truly are moving towards international capital markets with international trading, international regulation." He is concerned that the cautious reaction of some Toronto securities firms to tha OSC's recent proposals will isolate Canada from these inexorable trends.

Bernard Simon

Mr Rowland Frazee, chairman of the Royal Bank of Canada recently expressed his continued concern at "the relative weakness of the resource and real estate sectors in western Canada.

Silver lining to a dark cloud

The West

BERNARD SIMON

DISQUIET IN financial circles at the collapse of Canadian Commercial Bank (CCB) ef Edmonton and the Calgary-based Northland Bank in early September may be allayed by signs that the protracted difficulties experienced by financial institutions in western Canada over the past three years are starting to ease.

As the economies in Alberta and British Columbia (BC) show new signs of life, real estate markets—one of the main problem areas for lenders—are gradually moving out of the doldrums. Credit unions in British Columbia, whose lending is concentrated on residential properties, had their best quarter in three years between April and June of this year.

Mr John Mason, chairman of Alberta's Credit Union Stabilisation Corporation, says that "we are more confident than we have been for some time."

Vancouver-based, Bank of British Columbia, which suffered a pre-tax loss of C$2.9m in the nine months to July 31 1984, is back in the black, with mortgages climbing by 34 per cent in the past year and commercial loans by 10 per cent.

These encouraging signs are for the time being, however, little more than a silver lining to a dark cloud. The slump in energy and real estate markets in Alberta and Saskatchewan and deep recessieo in British Columbia between 1981 and last year have left shadows over both the regien's financial institutions and on many ethers in eastern Canada and beyond.

Canadian Commercial Bank and Northland Bank were by no means the first to feel the pressures ef borrowers unable to meet their commitments, and assets valued well below levels of four er five years age when the west's energy boom was at its peak.

Pioneer Trust, Saskatchewan's largest trust company, was ferced to close its doors at the end of last year. Alberta's 131 credit unions suffered a C$45m operating deficit last year, and 46 of them remain under the direct superivision of the Stabilisation Corporation.

The energy crunch has burt several of Canada's largest banks. Mr Rowland Frazee, chairman of Royal Bank, recently expressed his continuing concern at "the reletive weakness of the resource and real estate sectors in western Canada."

A large number of U.S., European aod Japanese banks alse have a substantial exposure to such troubled borrowers as Dome Petroleum of Calgary and the Quintette coal mine in oorth-east BC. Dome earlier this year reached agreement with its creditors to stretcb debt repayments to the mid-1990s. Its debt has fallen below C$6bn for the first time in several years.

CCB's losses reached C$21.5m io the six months to April 30 1985 and ebont one-third of its loans were classified as nonperfeming. Besides a beevy exposure to western Canadian real estate, the Edmonteo bank (assets C$2.7bn) iocurred subatential losses on loans to U.S. drilling rig eperators. A House of Commons committee has also criticised the bank's manageneot fer oet recognising the scale of its problems at a sufficiently early stage.

The Federal Government and provinciel authorities have had to step io several times te belp ailing institutions. Some bave been provided witb deposits to tide them ever. The Alberta Government bas promised direct fuoding for the Credit Union Stabilisatioo Corp, in return for taking over the rigbt to oominoate the corporatioo's directors. Ottawa has aeveral times bent the rules of its deposit insurance scheme to pay eot even uninsured depositors.

In the case ef CCB, Federal and Provincial gevernment agencies and the country's six largest banks stitched together a C$255m rescue package last March. The bailout was partly an effort to shield Canada from the jitters sweeping U.S. financial markets after the failure of Continental Illinois and savings institutions in Obio. It also reflected Alberta's reluctance to countenance the disappearaoce of one of the country's few regional banks.

It became clear within weeks that the bailout weuld be an expensive exercise. CCB lost a third of its deposits as nervous iovestors withdrew funds. The Bank of Canada again stepped in with support in the form of short-term loans, which ballooned to C$1.3bn in late August.

The run on deposits spread to Northland Bank which, despite remaining profitable, was also forced te turn to the Central Bank for assistance. Northland's leans from the Bank of Canada reached C$510m by the time Ottawa decided to discootinua its support and appoint curators for the two banks.

Northland was not put into liquidation immediately, to give its directors an opportunity to reorganise, possibly by moving under the wing of a larger, more stable institution. Northland reported a profit of C$0.3m in tha tbree meotbs te July 31 1985 and recently sold the bulk ef its non-performing leans, equal to 7 per cent of assets to a company set up by two local bosioessmen who bad close links with the bank.

The past year bas been a happier one fer Bank of British Columbia. With the colourful fermer U.S. steel tycoon and football team owner Mr Edgar Kaiser at the helm, the Vancouver bank has strengthened its capital base, recruited two senier officers from Bank ef Montreal and Benk of Nova Scotia, and expanded its branch network by taking over the offices of Saskatchewan's Piooeer Trust. The bank is increasing its profitable U.S. business and has started a small investmeot banking operation in South-East Asia.

Prospects for other institutiens bave also improved, but oot yet to the point where their worries are over.

Nerth West Trust of Edmenten, bailed out earlier thie yeer by the Alberta Government, reduced its loss to C$1.3m in the second quarter from C$4.2m in the previous three meoths. But the company's future remains clouded by its substantial investment in CCB. Alberta credit unions will soon pool fereclosed properties in e subsidiary of tha Stabilisation Corporation, which will gradually put them en the market. The value of the properties is estimated at close to C$300m. The union'e losses this year ero expected to be substantially lower than in 1984.

There is another group of financial institutions based in western Canada wbose widespread interests heve shielded them from the full impact of the problems on their doorstep. The First City group of Vancouver, controlled by members of the Belzberg family, has extensive property interests in tha U.S. and earlier this year took control of the consumer products manufacturer Scovill.

First City Financial sufferod a substantial drop in earnings io the first balf of this year, but the decline was ironically partly due to lower income at Scovill. The company's main Canadian subsidiary, First City Trust, which bas offices in other parts of the coentry too, bas reported higber demand for mortgages and a significant decline in loan losses.

High priority is given to early reform

Deposit Insurance

BERNARD SIMON

THE RECENT bank troubles in Alberta made early reform ef deposit insurance one of the highest priorities of Ottawa's financial regulators.

Having assured depositers that their money was safe after the Government-sponsored bail-out of Canadian Commercial Bank last March, Ottawa bed little choice but to undertake to make good the losses of all depositors wben it pushed the Edmonton institution towards liquidation in September. Depositors in Northland Bank will also be fully compensated if that bank goes under.

Such generosity cuts across some of tha fundamental rules of tha Canada Deposit Insurance Corp (CDIC), the Government agency which has protected depositors since its formation in 1967.

It will undermine the key rula of deposit insurance that, as in casualty insurance, income from premiums should generally cover losses, operating expenses and some additions to reserves.

CDIC's deposit insurance fund was C$377m in the red last December. Even without taking into account payments to CCB and Northland customers, the deficit was expected to climb te C$1.5bn by the end of 1985.

By providing coverage for all depositors in the two Alberta banks, the federal Government will sidestep the statutory limit of C$60,000 on individual deposits insured by CDIC. Payments to uninsured depositors in CCB and Northland are expected to reach as much as C$900m, which the Government will have to find from general revenue.

The exceptions made for CCB and Northland customers are by no means the first. Tha Corporatieo's original mandate to "ensure the safety of deposits ef small investors who are not usually in a position to judge for themselves the financial soundness ef the institutions te which they entrust their savings" was first breached in 1983 to help the victims of three failed Ontario trust companies.

In those cases, the ceiling for insured deposits was retroactively raised from C$20,000 to the present C$60,000, after tha then-Minister of Stata for Finance explained that the objective of deposit insurance was also to "assist in maintaining the confidence and stability in the financial system."

Other exceptions to the C$60,000 limit hava followed, notably in the failure of Saskatchewan's largest trust company, Pioneer Trust, earlier thia year. Ottawa and the Saskatchewan authorities chipped in C$15m to bail ont uninsured depositors.

There is agreement on need for a better monitoring system

While the deposit insurance fund's losses were minimal in the first 16 years of its existence, it sank from a C$253m surplus in 1982 to e C$332m deficit the following year. Even in 1982, the surplus was e modest 0.21 per cent of insured deposits, compared to 1.21 per cent posted by the U.S. Federal Deposit Insurance Corp.

Except for relleved customers of bankrupt financial institutions, Ottawa'a geoerosity oo deposit insurance bas evoked universal coocern in the business world. Opposition parties have hammered the Government fer coming to the rescue of many big depositors whe ought te know the risks of entrusting their money to floundering financial institutions.

The banks, which contribute about three-quarters of CDIC's premiums, are furious that—until the corporatioo contributed C$75m to the CCB bail-out package last March—its maio beneficiaries bad been customers of trust and loan companies.

Several proprietors of these failed companies have since beeo the subject ef criminal investigations.

Even the Gevernmeot has grown frustrated et the growing politicisatien of deposit insurance. Of the decision to belp CCB and Northland customers Mrs Barbara McDougall, Minister of State for Finance, said, "It is not e bappy situation aod it will be a costly ene."

Mrs McDougall appointed e privete sector committee early this year, headed by Mr Robert Wyman, cbairman of the Vancouver securities firm Pemberton Houston Willoughby. It will examine improvements in the deposit insurance system.

The committee's report, published in April, proposes far-reaching measures to put CDIC back on a sound financial footing and to avoid e future repetitioo ef its recent troubles. It concludes unambiguously that "the primary object ef CDIC should be to insure small unsophisticated depositer against loss. The CDIC has oe responsibility to uninsured creditors or shareholders of member institutions whicb experience difficulty."

The Wyman committee's detailed recommendatiens include:

- The fund to reacb 0.75 per cent of insured deposits within 10 years.
- An increase in annual CDIC premium rates from 1/30th ef 1 per cent of insured deposits to 1/10th ef 1 per cent.
- The phasing-in of a co-insuraoce system under wbich all depositors with balances below C$100,000 would be liable for one-tenth of any losses. Depositors above C$100,000 would not be insured.
- Wider regulatory powers fer the CDIC, including the right to force member institutions to halt activities "which may be prejudicial to (their) well-being." CDIC would be eotitled to impose management chenges and, if all else failed, to put e member institution into liquidstion.
- Greater private sector representation on CDIC's board of directors.

The maio thrust of the Wymao report has been widely welcomed, eltheugh some of its euggestions are too radical for the Government, end one er two others not far-reaching enough to suit the banks.

Mra McDougall bas indicated that the Government will not support risk-sharing by small depositors. It may egree bowever, to a graduated form of "co-insurance," where the smaller deposits (say, up to C$60,000) are fully covered, but the CDIC'a exposure falls as the size ef the deposit rises.

The banks oppose ao all-round premium increase, arguiog that the level of a member's premiums should be based on past claims by thet type of iostitution. In other words, trust companies would pay bigber premiums than banks, based on the large number of trust company failures—at least prior to the problems of CCB aod Northland.

Neither the banks nor the Government are likely to agree to the broad supervisory powers proposed by the Wyman committee, eltheugh there is a wide agreement that the CDIC needs mere effective monitoring systems.

Fight to stave off intruders

Investment Dealers

W. L. LUETKENS

THE SECURITIES industry of Canada is engaged in a battle to protect its reserved patch against intruders from abroad and from other Canadian financial institutions.

Not all Canadian investment dealers are agreed on this restrictive approach, but the view of the industry—as presented both to the federal Government and to the Province of Ontario—is that present protective rules should be left largely untouched.

The issua was brought to the fore last year as a result of the technological and organisational revolution in world financial markets and — more specifically — by e series of mergers between Canedian securities firms and the prospect of a major new venture between Daly Gordon (now Gordon Capital), one of the most aggressive Toronto investment dealers, and Bruxelles Lambert. That Canadian-Belgian joint venture has been beld up by the Toronto Stock Exchange until the whola situation has been clarified. Its future is uncertain.

In the meantime the Ontario Securities Commission, regulator of the most important Canadian securities markets, has made proposals which would give foreigners increased scope in Toronto. At present any individual foreign firm may own up to 10 per cent of a registered Canadian securities firm, provided foreign holdings do not exceed 25 per cent. The OSC proposed raising that ceiling to 30 per cent regardless of whether one or several foreign holders were involved.

In addition, the OSC proposes that a limited number of fully foreign-owned firms should be registered. Their aggregate capital would be limited to 30 per cent of the capital of the industry as a whole in Ontario.

The thinking behind these proposals is that the Canadian securities industry should be kept under Canadian control (just as the banking industry is, even though foreign-owned banks are permitted) on the one hand: and on the other that the industry would benefit from more competition and frim the improved access to capital expected from the proposals.

What will come of all this is in the lap of the gods.

Mr Stanley Beck, chairman of the OSC, says that be hopes to get the Ontario government to make np its mind on the issue by the beginning of next year. But there has been a change of government in Ontario this summer and there is no certainty that the Liberal minority government of Mr David Peterson will give the matter the same degree of priority.

Moreover, the entire question of reorganising Canadian financial institutions has been thrown into turmoil by a number of failures in the banking and trust companies industry.

For Mr Andrew Kniewasser, president of the Investment Dealers' Association of Canada, the OSC proposals go distinctly too far. Maintaining adequate Canadian control, he says, is "a matter of having some say to what happens to our savings." It is the familiar argument of economic nationalism which need surprise nobody in a country whose economy is tied so closely to that of an overwhelmingly large neighbour in the U.S.

It can be understood what this is all about from figures submitted to the Ontario government by the securities industry. These show that Merrill Lynch of the U.S. has capital almost four times as high as the aggregate capital of all Canadian firms.

Mr Beck in a recent speech came to e conclusion that is unlikely to be shared by the majority of the Canadian industry: perhaps the Americans were not too big; maybe the Canadians were too small. But Mr Beck, too, spoke of Canadian ownership as an overriding public interest.

In parallel with this discussion, a debate is going on as to whether Canadian banks, trust companies, insurance companies or non-members of tha financial industry should be permitted stakes larger than 10 per cent in aecurities firms.

The matter has been made especially topical by the proposal in a federal Green Paper to permit the establishment of financial conglomerates under certain safeguards.

That idea, too, has found littla favour with Mr Kniewasser's association. "I think Canada does not need that: it would be a system in which the big players raise vast sums for big customers," he says.

The industry argues that, between them, foreign interests and conglomerates would neglect the needs of the outlying Canadian regions, the equity needs of small business, and the interests of small investors.

What that really boils down to is a fear of the consequences of concentration in the securities industry.

Though the number of securities firms in business has remained almost stable in the past few years, several jumbo mergers on the Canadian scale have occurred. The tendency favouring the big battalions is also reflected in the arrival npon the Canadian scene of tha "bought deal" in which one firm subscribes fully to a new issue, instead of it being underwritten by a group.

In a bought deal the securities firm settles for e lower commission, takes a greater risk, but hopes for e bigger profit from increased volume.

In a manner not untypical of Canada, the entire set of rules about who may own an investment dealer is riddled with exceptions. Four U.S.-owned firms, for historic reasons, are allowed to operate. Moreover, there is a large "exempt" market in which everyone may play without the need to register.

The exempt market is largely an institutional market which may not daal with private investors and which is barred from most conventional types of corporate underwriting.

It was mainly this market which Daly Gordon and Bruxelles Lambert had intended to attack before the Toronto Stock Exchange put them on hold.

Though there is a widespread feeling in the securities industry that it is under attack, some members at least have been able to hit back. Bankers have been especially annoyed by the so-called access account, an American innovation which has been copied in Canada. A security firm's client with such an account may draw cheques and earn money market interest on any spare funds that he has deposited.

The industry also seems to have defended itself well against the advent of the discount broker offering dealing services only, without research.

Two years ago the Toronto Dominion Bank offered its clients a means to place orders with such a broker without doing the deal itself. A shudder went through the industry as it looked like the first step of a chartered bank towards entering the securities business (something which existing law forbids). The bank's Green Line, as the service was called, still exists, but does not seem to have had much of an impact.

INVESTMENT DEALERS: WHAT ARE THEY?

A Canadian investment dealer combines the functions of investment banker, stock broker, and bond dealer. In 1984 the dealers underwrote C$37bn (about £20bn) in new issues. They traded bonds worth C$250bn in the secondary market and traded listed equities worth C$35bn.

Investment dealers also deal in the money market, reaching a voluma exceeding C$500bn last year. As money market dealers they may refinance themselves by rediscounting paper with the Bank of Canada.

Not all securities firms engage in all these forms of business. Stockbroking without the underwriting function is not uncommon.

Influence which spans borders

Financial Service Conglomerates

BERNARD SIMON

INVENTIVE INDUSTRIALISTS and financiers have succeeded in bridging gaps between the four pillars of Canada's financial system in a way which has eluded individual financial institutions.

By acquiring substantial equity positions in various types of institution, such well-known entrepreneurs as the Bronfman brothers of Toronto (cousins of the Seagram Bronfmans), the Beizbergs of Vancouver, Mr Paul Desmarais of Power Corporation, and Mr Hal Jackman have stitched together conglomerates which are able to offer a far wider array of services than the law allows any single trust company, insurer, bank or investment dealer to provide.

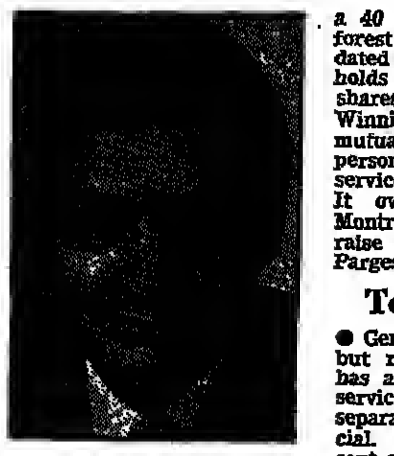
The conglomerates have gobbled np the country's largest trust companies, several leading life insurers, the biggest purveyor of mntual funds and personal financial planning services, at least two fledgling merchant banks and the Montreal Savings Bank.

Their interests also extend to such businesses as real estate agencies, property developers and leasing companies whose development can be strengthened by links to a financial institution.

The influence of the financial conglomerates extends well beyond Canada's borders. Royal Trust, one of the companies controlled by the Bronfman brothers, provides banking and other financial services in Britain and the Channel Islands. Great-West Life, a subsidiary of Mr Desmarais' Power Financial Corporation, receives more than half its premium income from the U.S. Power also has a minority stake in Pargesa, the Geneva-based investment holding company, and links to the U.S. securities firm Drexel Burnham Lambert.

Ganstar, the rapidly growing West Coast group, has substantial container leasing operations in the U.S. and abroad.

The resources available to some of the conglomerates have begun to rival those of the big chartered banks. In an effort to dispel a widespread perception that the banks overshadow all other players in the financial markets, the Canadian bankers' association has pointed out that assets managed (though not those owned) by Trilon Financial, one of the Bronfmans bolding companies, exceed the domestic assets of the Royal Bank of Canada, the country's largest banking group.



Mr Paul Desmarais of Power Corporation

Less concerned

Genstar, which bought control earlier this month of the largest trust company, Canada Trust, will create the sixth largest financial institution in Canada when it completes plans to merge Caneda Trust with its 99 per cent owned subsidiary, Canada Permanent.

The banks and other critics of the financial conglomerates say they are, less concerned at their size than at the potential for abuse by financial institutions which are not subject to the same ownership restrictions as, for example, banks and securities firms.

Several of the largest conglomerates are tightly controlled by one owner or a small group of shareholders. Coocern about such arrangements has grown since the collapse in 1983 of three Ontario trust companies, which has been linked to the property development activities of their owners.

According to a recent memorandum by Royal Bank of Canada, "these new institutions are essentially operating beyond any specific intent of Parliament and provincial assemblies. There is a need to develop a new legislative and regulatory framework that can achieve appropriate regulation and supervision of these corporate structures and also provide a solid legal basis for other institutions to obtain the benefits that greater diversification allows."

Distribution

Further questions have been raised by the prospect of some tightly-held conglomerates strengthening the links between their subsidiaries and affiliates, for example, by setting up common distribution networks where real estate agencies sell trust company mortgages, insurance salesmen market brokerage services, and so on.

Interest in the conglomerates is chiefly focused on about balf a dozen of the largest and fastest growing groups. They include:

● Peter and Edward Bronfman's interests mostly under the umbrella of Brascan. Once a Brazilian power utility, Brascan now owns 39 per cent of Trilon Financial. Trilon in turn holds 98 per cent of London Life Insurance, 49 per cent of Royal Trustco and 51 per cent of Royal Lepage (Canada's largest real estate services group). Another Bronfman company, Carena-Bancorp, has an interest of almost 20 per cent in Continental Bank, the seventh largest chartered bank. The stake must be reduced to 10 per cent to conform with current banking rules, tha Bronfmans also control two companies, Hees International and Great Lakes Group, which are emerging as the nearest Canadian equivalent to British merchant banks.

● Power Corp regrouped its financial interests under Power Financial Corp last year, separating them from its industrial holdings which include a 40 per cent interest in the forest products group, Consolidated Bathurst. Power Financial holds over 95 per cent of the shares in Investors Group of Winnipeg (which runs 12 mutual funds and provides a personal financing planning service) and Great-West Life. It owns 50.1 per cent of Montreal Trust, and plans to raise its 10 per cent stake in Pargesa.

Top league

● Genstar, based in Vancouver but run from San Francisco, has also grouped its financial service companies under a separate entity, Genstar Financial. Genstar bought 99 per cent of Canada Permanent four years ago, but has moved into the top leagua of conglomerates since it out-manoenvred the multinational insurance group, Manufacturers Life, last month to take control of the country's largest trust company, Canada Trust. Genstar Financial's other activities inclnde electronic equipment rentals, container leasing, commercial property development and lease brokerage. It bought a 10 per cent stake earlier this year in the aggressive Toronto securities firm, Gordon Capital.

● First City Financial of Vancouver, controlled by the Belzberg brothers, owns 98 per cent of First City Trust and has extensive property developmant and investment ectivities throughout North America. The Belzbergs took a major step towards diversification earlier this year by acquiring the Connecticut consumer products manufacturer, Scovill.

● The Quebec-based Laurentian Groop bas interests in all four pillars of the financial system. Its activities are outlined in a separate articla in this survey.

● E-1 Financial Corp, controlled by the well-known Toronto businessman Mr Hal Jackman, bas a number of insurance subsidiaries (inclodIng Empire Life and Dominion of Canada General Insurance), and a leading trust company, National Victoria and Grey. A smaller trust company in the group, Premier Trust, bas been earmarked as a possible candidate for conversion into a bank.

Mr Jackman is one of the most outspoken supporters of proposals such as those contained in the Government's Green Paper on financial institutions, which would allow the formation of so-called Schedule C banks, controlled by conglomerates through federally regulated financial holding companies. He remarked earlier this year that "the real people who should be starting major banks in this country are those who control pools of capital, perhaps a Sun Life, a Trilon, or ns."

Given the controversy surrounding the Green Paper, it is still too early to tell whether Mr Jackman's wish — probably sbared by several of his fellow conglomerate owners —will come true.

Mr Claude Castonguay, president and chief executive of Laurentian.

Profile: Laurentian Group — By Rod McQueen

Pace setter for one-stop shopping

WHEN THE new headqnarters of Laurentian Mutual opens in downtown Montreal next year, it will bouse Canada's first financial services supermarket. On the ground floor of the new C$75m 27-storey office tower, consumers will be eble to deposit money in a savings bank branch, obtain trust services, trade stocks and purchase assurance.

The services will not only all be under one roof, they will be owned by one financial conglomerate.

The bazaar is the work of Mr Claude Castonguay, 56, president and chief executive officer of Laurentian, Quebec's largest insurer and the company at the leading edge of one-stop financial shopping in Canada. Mr Castonguay has taken advantage of the fact that Laurentian is chartered in Quebec, which has allowed financial institutions to move toward deregulation at a faster rate than any other Canadian jurisdiction.

With affiliations in all four of Caneda's financial pillars—banking, trust companies, securities firms and life asurance—Laurentian has grown from a tiny C$80m (about £44m) assurance company founded in 1937 to a full-blown C$4bn corporate giant with operations in the U.S. and UK. "We are growing at a faster pace than many others," Mr Castonguay says. "Others who are not adjusting, I'm afraid, will not be able to maintain the pace."

The group's most recent coup was a potentially very important link-up with Power Corporation, another French-Canadian controlled concern. Laurentian is merging a property and casualty insurance affiliate, Personal Insurance, with Power's Gold Circla which writes the same kind of business.

As Laurentian's total staff expanded from 400 employees to more than 4,000 during the last decade, growth through ecquisition bas proved to be profitable. Annual income has risen from C$25m to more than C$1bn. Laurentian expects to double both its assets and profits in the next five years.

"In business," says Mr Jaan-Marie Poitras, chairman, "you grow, or you disappear. You have to be large in order to bave the best people and reduce costs. The assurance industry trend in the U.S. and the UK has been for life and casualty to come closer together (organisationally). Wa wanted not to follow, but to lead. As changes came, we wanted to be ready."

Nowhere have the changes coma as quickly as in Quebec. Provincial legislation bas put the Quebec-chartered mutual assurance companies on the same footing as federally-chartered stock companies. There are 33 Quebec-registered assurance companies—15 are life assurance companies, the rest are property and casualty.

To date, however, the advantage goes to Laurentian.. "Laurentian," says Mr Marcellin Tremblay, vice-president of the industry's Association Canadienna des Compagnies d'Assurances de Personnes, "is going in all directions and much faster than we thought they might."

Mr Castonguay is accustomed to being a leader. In fact, as chairman of Quebec's Royal Commission on Health and Social Welfare and cabinet minister for three years, he created the Quebec Pension Plan and gave the province its medical insurance scheme. Even today, the plastic identification card each Quebecker carries to the doctor's surgery is known affectionately as "la castonguette."

Until recently, the main focus has been on Canada, but Laurentian is now turning its eye elsewhere. "Canada is not e huge market," Mr Castonguay says. The strategy began in 1983 when Laurentian bought 20 per cent of Southland Capital Investors of Florida, and reached out to Britain through a subsidiary, Imperial Life UK, to develop the indexed policies market.

Another British affiliate, Laurentian Financial Services, began offering portfolio management and accepting deposits. Laurentian also took a 10 per cent position in Le Groupe Pallas, a Luxembourg investment house.

Laurentian's ties with Europe are long-standing. Group Victoire, the largest nonstate-owned life and general insurance company in France, has had a relationship with Laurentian Mutual for 25 years and is now a shareholder in the recently created Canadian bolding company Laurentian Group, the arm which will issue shares this year. A similar company, Laurentian Capital, has been created in the U.S. Both bolding companies will be stock companies, with shares, and will mean new money-raising capacity in both countries.

In future, much of Laurentian's expansion will be financed through share issues. Preferred stock has already been issued to raise capital in Canada and a further equity issue is expected this antumn.

In the U.S., Loyal American Lifa is to become a subsidiary of Laurentian Capital which is listed on the American Stock Exchange. A similar errangement may follow in Britain so the conglomerate has a holding company in each of the countries in which it operates.

While his reorganisation and expansiun efforts have so far paid off, Mr Castonguay still has some selling to do with his conservative sales agents who worry that technology or self-serve financial centres will replace them.

"It's difficult," admits Mr Castonguay, "to go faster than they're prepared to go. We're not going all out. We realise that if we try to go faster than people are used to or ready to go, we will just spend energy unnecessarily."

Shared concern over foreign competition

Stock Exchanges

BERNARD SIMON

THE traditional rivalry among Canada's three major stock exchanges appears to be giving way to a shared concern at competition for Canadian securities trading from foreign bourses and the expanding network of international electronic trading systems.

Mr Pearce Bunting, President of the Toronto Stock Exchange, warned in his last circular to TSE members that "if the New York Stock Exchange becomes the prime market for Canada's major companies, even our largest brokers will end up playing second fiddle to their U.S. counterparts; most equity underwriting for Canadian companies will be done by foreign dealers; and many jobs in the Canadian investment industry will disappear."

The struggle for business between Toronto, Montreal and Vencouver has been fierce in recent years. A youthful President at the Montreal exchange, Mr Pierre Lortie, pushed through a number of trading reforms which helped boost Montreal's share of trading values from little more than 10 per eent in 1980 to almost 18 per cent last August. The big gold discovery at Hemlo in western Ontario encouraged the TSE to begin relaxing its listing requirements for junior resource companies, the preserve in the past of the Vancouver Stock Exchange.

For its part, Vancouver has attracted a higher proportion of industrial companies since its listing requirements were tightened earlier this year in the wake of last October's scare involving suspiciously large price declines in a number of junior resource companies. About 150 of the 1,800 stocks listed on the VSE are now classed as some form of "high tech" company.

Tensions

Mr Lortie left the Montreal exchange earlier this year to head e leading Quebec food retailer. Despite some simmering tensions between the three markets, his successor, Mr André Saumier, (formerly e vice-president of the Winnipeg-based securities firm Richardson Greenshields) appears to be joining his counterparts in Toronto and Vancouver to search more actively for ways in which the three exchanges can complement and co-operate with each other.

Mr Bunting says that the TSE's highest priority is not to win back market share from Montreal but "how we can capture international trading in Canadian securities."

One body of opinion suggests that the three markets should each specialise in e different area: Toronto in "investment grade" companies, Montreal in options and Vancouver in more speculative venture companies.

Moves are efoot to standardise some regulations on the three exchanges, such as filing requirements and rules for takeover bids. A "uniformity committee" set up by provincial securities administrators met for the first time in Montreal earlier this month.

Toronto is due to take a large step forward in efforts to widen its international exposure when it sets up a two-way electronic trading link with the American Stock Exchange (Amex) in New York. The tie-up, due to be inaugurated in the last week of September, is the first between two trading floors in different countries. (Montreal already has a connection with the Boston exchange, but only in one direction.)

The link is initially restricted to six stocks listed on both markets — Asamera, Canadian Marconi, Echo Bay Mines, Gulf Canada, Husky Oil and Imperial Oil. The advantage is that orders on one floor can be filled either there or on the other, depending on price and availability of shares. A similar connection between the TSE and the Midwest exchange in Chicago is also in the pipeline.

Mr Bunting sees the links as an important step in encouraging investors to trade on the TSE and companies to list shares there. A high proportion of orders for Canadian securities listed on U.S. exchanges currently goes south of the border. Now, says Mr Bunting, "we're able to say to Canadians that an order directed to the TSE will get the best price in North America." The attraction for the American partners is that Canadian companies may be encouraged to list their shares on Amex or the Midwest exchange.

The other leg of the TSE's efforts to raise its international exposure is CATS, the exchange's computer-assisted trading system. The TSE hopes to clinch a sale soon for CATS software to the Paris bourse. Australian stock exchanges have also expressed interest.

CATS' main edvantage of speed and economy has also turned out to be a stumbling block to the system's acceptance, especially by old-timers, because it by-passes the floor trader. Development of the system has thus turned out to be as much a political as a technical challenge.

Attractions

Although the number of stocks traded on CATS has not changed much in the past year (it stood at 799 in mid-September), a growing group of well-known and well-traded companies have been moving on to the system. International Thomson, Canada Trust and Canterra are examples.

CATS' attractions may be further enhanced et the end of this month when the TSE begins trading half an hour earlier.

The shift of emphasis in the growth of the Montreal market is illustrated by the change in name from Montreal Stock Exchange to simply, the Montreal Exchange. From eastern Canadian lumber futures to currency options, the ME has tried to carve out a niche as a trading centre, not only for equities but also a growing veriety of more exotic instruments.

By mid-1985, the exchange accounted for almost 60 per cent of Canadian option trading, including options on bonds, gold bullion, stock indices and, most recently, pounds sterling. Among future innovations will be a European currency options contract in co-operation with the European Options Exchange in Amsterdam, and a wood pulp futures contract.

Montreal also plans to expand its international links by listing a number of French shares next year. It is encouraging foreign securities firms to become members of the exchange, partly by pointing to the advantages of Quebec Government proposals for tax holidays for stockbrokers setting up offices in the province.

The Vancouver Stock Exchange has been preoccupied in the past year with repairing the damage done on "Black Friday" last October when confidence was jolted by the sudden tumble in prices of nine junior resource companies and a subsequent financial squeeze on some local brokerage firms.

Mr Pearce Bunting, President of the Toronto Stock Exchange. He says the highest priority is to capture international trading in Canadian securities.

Criminal charges have been laid against two men in connection with the incident. The VSE has tightened its listing requirements to discourage gamblers and crooks while retaining the exchange's speculative flavour.

For exemple, the minimum outlay on exploration or business development prior to listing has been raised from C$25,000 to C$60,000. About 1,800 shares are listed on the VSE.

The number of new listings appears to have slowed since the new rules took effect, elthough a strong advance in share prices has attracted some newcomers.

The sharp upturn in prices and e substential increase in trading volume are signs that the VSE has shaken off last October's crisis. A record of almost 13m shares a day was traded in July which, according to VSE President Donald Hudson, "is telling us something ebout confidence in the marketplace."

Worry over delay to reform timetable

Insurance

ROD McQUEEN

IN THE turmoil following the collapse of the Canadian Commercial Bank, life assurers in Canada are worried that the Federal Government's timetable to deregulate financial services may have drastically changed. Assurers have been pushing for the past two years for more modern legislation and wider powers. The Green Paper issued last spring seemed to offer just what they wanted.

Now, however, with bank losses that could reach $1bn, public and political attention has turned to solvency in the financial community. The wider issues may be delayed. "That is a concern of ours—that we lose pace," says Mr Earl Orser, president of London Life Insurance and chairman of the industry's task force on legislative review.

There is no question of the health of the assurance industry. "A strong and stable insurance business is ready and able to expand its services to the consumer," Mr Orser says, "once our legislation is modernized to enable us to do so."

Because the legislation governing life assurers has not been fully updated since 1932, some types of companies, notably stock companies with shareholders, have been able to expand into other financial services. Mutual life insurers (owned by the policy holders) have not. The industry wants both types to have similar powers.

At the same time, the industry knows it may have to accept tighter rules. "We are prepared to accept a more onerous regulatory framework to ensure that the principles of security and safety are maintained," says Mr Orser.

In the past Canadians have responded to the life assurers' sales pitches. Canadians are the third-best assured nation in the world — after the Americans and the Japanese, and life assurance in Canada is an important export industry, selling some C$50bn of life assurance outside Canada.

Canada has 169 life assurance companies with C$67bn in assets and some 300 firms in the property and casualty business with C$16bn in assets.

The big ten life assurers account for about two-thirds of the total industry revenues. In the property and casualty business, about one-third of the companies account for 90 per cent of the business and about two-thirds of the companies are foreign-owned. In all, both industries employ about 175,000 Canadians.

Measured by assets, Sun Life Assurance of Canada, has traditionally been the largest life assurer operating in the country. In 1985, however, Sun's C$13bn in assets was surpassed when The Manufacturers Life Insurance bought The Dominion Life Assurance (legally they remain two separate companies), giving a combined asset value of C$13.5bn. The fastest growing company is Crown Life Insurance with a 60 per cent growth rate since 1980 in individual life assurance sales.

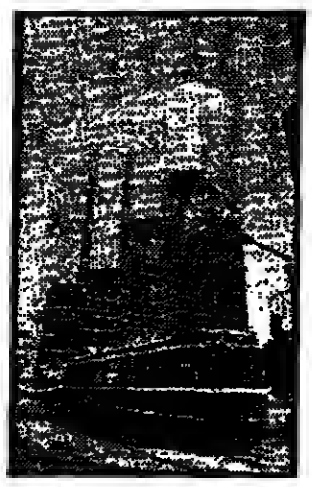
Among general insurance companies, the market is more fragmented. The industry leader, Co-operators General Insurance has a mere five per cent market share and C$441m in annual premium income; Royal Insurance Canada is second with C$397m.

As an industry, the general insurance business in Canada is much smaller than of life assurance.

Jack Lyndon, president of the Insurance Bureau of Canada, the property and casualty trade association, says that "all the property and casualty companies together couldn't take a crack at the big five life companies."

The blurring of the four pillars of Canada's financial system has extended to the insurance sector. Insurance companies, for instance, currently offer a type of term deposit instrument like the trust firms.

After some initial sluggishness, the assurers are scrambling to catch up. "For more than a century, life insurance companies were able to take advantage of a built-in momentum," says Gerald Devlin, executive vice-president of the Canadian Life and Health Insurance Association (CLHIA), a 117-member industry group. "Their profits were generated by business written 10 or 20 years before. They lived very comfortably on the surplus created from business on the books. This has now changed forever."



The Merrill Lynch Tower of the Sun Life Centre in Toronto

For decades, the assurance companies have been the quiet bankers. Through mortgages, they have financed more than 1m Canadian homes as well as 30 per cent of all the Canadian corporate bonds currently outstanding, 17 per cent of municipal bonds, 7 per cent of provincial bonds and 10 per cent of all Government of Canada securities.

Until recently, the chief executive officers of insurance groups have been just as invisible as their corporate assets. "The insurance company top guys in the last 20 years have not been the national figures that some of the bank chief executive officers have been," says Robert MacIntosh, president of the Canadian Bankers Association. "That's changing now."

What has also changed, however, is the relative size of assurers in Canadian financial markets. The largest assurer is only about one-seventh the size of the largest bank, The Royal Bank of Canada, measured by assets. After the Second World War, assets of each were about equal.

In 1970, life assurance companies had 29 per cent of the C$45bn in total personal deposits of Canadians. By 1975, they had 22 per cent of C$80bn; by 1982, only 16 per cent of C$260bn. Mr Lane admits: "We've shrunk in importance." Life assurers want to exchange this shrinkage for growth by keeping their timetable in the public eye and their concern at the front of the politicians' minds.

Optimism over deregulation fades

Trust Companies

ROBERT GIBBENS

WHEN THE Federal Government issued its Green Paper on financial industry deregulation this summer, the major trust companies pricked up their ears sharply.

Culminating several years of studies by Federal and Provincial bodies on Canada's "four pillars" financial system, the Green Paper appeared to favour the trust companies' case for greater powers to compete with the chartered banks, particularly in commercial lending.

The idea of schedule C banks, controlled by financial conglomerates, presented an attractive way of expanding their commercial lending in competition with A chartered banks and the B foreign-owned banks. Moreover, majority ownership of trust companies by private, family or non-financial groups would continue.

Immediately, the trust companies said that their commercial lending limit (7 per cent of their assets on a strict basis) should be liberalised by amending Federal trust and loan legislation without waiting for schedule C banks to become a fact.

The Green Paper's implication that the Federal Government would exercise more control over the total financial industry, possibly through a body modelled on the U.S. Securities and Exchange Commission, did not worry them.

Some of the optimism of the summer, however, quickly passed. Events in both the trust company and banking sectors have raised serious public concern about deregulation of the financial industry.

The Federal Government's promise that legislation stemming from the Green Paper would be ready by the year-end now seems wildly improbable. While the spotlight now is on the failure of two western Canada banks and the role played by the major chartered banks, the record of the trust companies in Canada over the past five years has been chequered, to say the least.

The trust companies manage more than C$100bn of other people's money and are subject to Federal or provincial supervision. The public has witnessed the failure of many smaller trust companies, often due to mismanagement, and there have been major battles for control of large companies involving family dynasties, and also the Crown Trust real estate scandal in Ontario. The battles for control of two major firms have naturally angered the banks, with their limit of 10 per cent ownership for any single investor or group. But ownership concentration of trusts is not an issue to be lightly dismissed.

First, the Peter and Edward Bronfman interests and the Reichmann family, both of Toronto, won a noisy battle against Mr Robert Campeau for control of the country's largest trust firm, Royal Trustco.

Next, Genstar, a financial services, real estate and building materials conglomerate, partly-owned by Belgian interests, took Canada Permanent Trust from the clutches of the Belzberg family of Vancouver, and this summer bought control of Canada Trustco, the country's second largest trust company, for well over C$1bn. Both trust firms will be merged.

Yet only a few years ago, Genstar moved its corporate headquarters out of Canada to San Francisco, saying that growth opportunities were limited in Canada.

Until the late 1970s Canada's four pillars, the banks, the trust companies, the insurance firms and the investment dealers, kept their core activities distinct with some minor overlapping in services. The Bank Act was updated regularly, but Federal and provincial trust and loan company legislation was getting more and more outdated and behind actual operating conditions. Already there were anomalies, such as Power Corporation of Canada's controlling ownership of Montreal Trust, Great-West Life and Investors Group, with some blurring of activities. But entry into the trust industry remained wide open, with minimal capital required, in contrast to banking.

Increasingly the big trust companies began operating like chartered banks, moving away from traditional mortgage and estates business, competing aggressively for deposits, some commercial lending and corporate services, and lending to governments and their agencies.

The crises, the takeover battles, two bank failures and the strains on the deposit insurance system have shaken public complacency and may bring a new focus on such buzzwords as deregulation, self-regulation, financial supermarkets and one-stop shopping.

Federal jurisdiction over the trust company sector, as well as insurance companies and investment dealers, is highly ambiguous and some have seen in the Green Paper clear signs that the trend to deregulation may lead later to a backlash of re-regulation. But that could imply another battle between Ottawa and the provinces, particularly Quebec.

In the short-term, trust companies will probably have to be content with liberalised commercial lending limits.

Profile: Gordon Capital

By Dunnery Best

A barracuda in the postbag

GORDON CAPITAL evokes strong emotions in Toronto's investment community. Widely acknowledged to be one of the country's most aggressive securities firms, it is praised by its admirers for its innovation and flair, but rapped by its detractors as a buccaneer ready for almost anything in search of a commission.

In the early summer of this year the firm stunned the investment industry by persuading Power Corp., controlled by a French-Canadian, Mr Paul Desmarais, to sell 11.4m shares (worth C$219m—about £120m) in Canadian Pacific for prompt resale. An establishment investment from Nesbitt Thomson Bongard, which has been doing business with Power since the early 1950s, was left stranded.

Gordon repeated the performance a month later by snapping up a 4.5m share block of Alberta Natural Gas (worth about C$60m) while a trio of investment firms led by Merrill Lynch Canada were in the process of organising a bid.

It was Gordon Capital (then called Daly Gordon) which provoked an Ontario Securities Commission (OSC) enquiry into foreign participation in the securities industry by proposing a partnership with Bruxelles Lambert, the Belgian group. The joint venture was intended to concentrate upon institutional business, which up to now have been exempt from OSC registration requirements. The future of this venture is not yet known.

Gordon also claims credit for the rise of the "bought deal," so named because the investment dealer hands over a cheque for the entire issue prior to its closing. The industry has had to follow Gordon's initiative for fear of being left behind. But this is a risky business. Unless the pricing is just right, a bought deal can prove costly.

Gordon Capital has been in the thick of several of the toughest Canadian acquisition fights for the past two years. But lately this taste for action has caused some headaches.

Early in 1985 Gordon served as agent for Unicorp Canada in that company's successful bid for Union Enterprises, a sleepy gas utility based in Ontario. Talk of insider trading and of unequal treatment of shareholders abounded at the time.

The Ontario Securities Commission was prompted to hold a brief hearing and subsequently allowed Unicorp's offer to proceed. The Ontario Energy Board made another review after the action had ceased and declined to change the outcome. Then after an exhaustive investigation, the Ontario Securities Commission acted again in mid-September, contending that Gordon staff had "improperly divulged to certain of its clients undisclosed information," and that the firm had participated in the market as a principal "when it had generally undisclosed information." On November 6 the OSC will convene a hearing to investigate the entire affair.

The proceedings promised to be fascinating for students of Gordon Capital. Generally the firm operates under a cloak of secrecy. Employees are forbidden on pain of dismissal to have any contact with the press.

Gordon has lost some friends on its climb to the top. The company's chairman, Mr James Connacher, 48, has at various times received a live piranha and a stuffed barracuda, sent by competitors to show what they thought.

Gordon is one of the largest investment firms in Canada—with about C$90m of shareholders' capital accumulated from a virtually standing start in 1970—though it has only 115 employees in its offices on the 54th floor of the Toronto Dominion Centre. The field's front runner Dominion Securities Pitfield, with capital of C$111m at end-1984, and second-ranked Wood Gundy, with about C$104m of capital, both maintain an extensive and heavily staffed network of retail offices round Canada.

Financings beyond the unaided capacities of Gordon Capital were managed with the help of a close relationship with Edper Investments, controlled by Mr Edward and Mr Peter Bronfman, a branch of the Seagram distilleries family.

More recently Gordon cemented a relationship with Genstar, a real estate, building materials and financial services company with executives based in San Francisco and headquarters in Vancouver.

Genstar paid C$15m for 10 per cent of Gordon this year and the two companies have jointly created Gordon Investment with initial funding of C$100m.

Gordon Capital is plainly muscling up for the future. One senior executive says: "Ultimately this country will be opened wide to international competition, and you are going to have two or three firms with a couple of hundred million of capital each. We want to be one of the first."

With that sort of financial power, Gordon Capital will be intimidating indeed.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday September 27 1985

Montedison heads for L100bn profit in year

BY ALAN FRIEDMAN IN MILAN

MONTEDISON, the Italian chemicals, health care and energy group, is expected to make a 1985 full-year consolidated net profit of around L100ba ($55.7m). Apart from a tiny 1979 profit, this would represent the first time the Milan-based company has come out of loss in 10 years. Last year Montedison lost L83bn on a consolidated basis, which compared with a 1983 loss of L332bn and a 1982 deficit of L859bn.

The company is understood to have made a small net profit in the first half of this year although it did not disclose this to its half-yearly statement published yesterday. Montedison's first-half operating profit of L721bn was 20 per cent higher than the equivalent period of 1984. Total group revenues in the first six months of this year stood at L6,829bn, a rise of 14.5 per cent year-on-year.

Debt servicing charges in the first half amounted to 5.2 per cent of turnover, which is down from the 6 per cent level a year before. Montedison's indebtedness is believed to have risen to around L4,500bn in the first half of the year, which compares with L4,344bn as at December 31. The company is expected to get debt servicing costs as a proportion of turnover below 5 per cent by year-end.

Sig Mario Schimberni, Montedison's chairman, has in recent years been putting the group through a radical reorganisation, selling off loss makers and simplifying product lines. These include petrochemicals, base chemicals, fertilisers, manmade fibres, pharmaceuticals, energy and engineering, as well as retail chains, a Rome newspaper and now – in the wake of the recent takeover of the BI-Invest group – insurance, financial services, textiles and property.

The number of Montedison employees at June 30 was 69,382, down by 2.6 per cent. First-half investments were up by 18.4 per cent to L245bn, spending on research rose by 7 per cent to L139bn and labour costs in the first half were 6.8 per cent higher.

Cash flow is understood to have increased by 31 per cent during the first half of the year. Of the L6,829bn of first-half turnover, energy accounted for L1,524bn, petrochemicals and plastics L1,320bn, fertilisers L474bn, fibres L540bn, health care L652bn, base chemicals L410bn, special materials L270bn and consumer products L433bn.

● Sig Gianni Agnelli, chairman of Fiat and a leading member of the Gemina holding company which is Montedison's biggest shareholder (with a 17.1 per cent stake), yesterday said that Fiat was not interested in "a permanent presence" in Montedison through its Gemina holding.

Sig Agnelli and other Gemina partners such as Pirelli and the Orlando metallurgy group were angered this summer by Montedison's takeover of the BI-Invest group.

Commenting on current negotiations for a joint venture between Fiat Auto and Ford Europe, Sig Agnelli said in Turin that the two car makers had completed the examination of the industrial aspects of a deal and had now turned to a discussion of "the possibilities of agreement on other difficult problems, financial aspects, issues of control and other delicate evaluations."

Inland Steel omits dividend

By William Hall in New York

INLAND STEEL, the fourth biggest U.S. steel company, has passed its common stock dividend and forecast a $50m third-quarter loss as evidence mounts that the problems of the U.S. steel industry are far from over.

The news that the company was omitting its 12½ cents quarterly dividend came the day after moves to raise steel prices by several leading U.S. steelmakers, including Inland Steel. Inland, which has lost money for the last three-and-a-half years, said that it had passed its dividend because of the anticipated large loss in the third quarter.

The company, which has lost $35.9m in the first six months of 1985, says that the third-quarter loss was related to current weak market conditions "reflecting continued high levels of imports and lower price realisations.

This loss, coupled with the need to preserve liquidity at a time when modernisation and new facility investments are being made at its Joseph T. Ryerson & Son subsidiary and integrated steel segment, were the reason for omitting the dividend.

Inland says that it expects its fourth-quarter performance to be "improved" as the company benefits from cost-reduction programmes, progress in quality initiatives and continued strong results at Joseph T. Ryerson. However, the company says that, "unless we see a big turnaround in pricing and imports, it would be difficult to be profitable."

Inland Steel's shares fell $⅞ to $22⅜ in early trading yesterday.

Grundig plans chain of retail computer outlets

BY JOHN DAVIES IN FRANKFURT

GRUNDIG, the West German consumer electronics group, is to organise the development of a chain of computer shops.

It expects to help independent franchise holders to open about 50 of the shops in West German cities during the next three years.

Grundig is embarking on this scheme through a new company to be formed jointly with Philips Kommunikations Industrie (PKI) from the beginning of next year. Each will have a 50 per cent stake in the company, but Grundig will have operational control. The company, to be based in Munich, has yet to be named.

PKI is 70 per cent-owned by Philips, the Dutch consumer electronics group, which has moved into personal and home computers. Philips also took over management control of Grundig 16 months ago as part of a complex arrangement under which Dr Max Grundig, the founder, agreed to sell a majority stake to Philips and a consortium of banks.

Grundig views the computer shop development as relatively modest but its participation also recognises that computers may one day take their place in homes along with television sets and videorecorders.

Mr Hermanus Koning, chief executive of Grundig, said the shops would offer personal computers from several producers. He indicated that these would include the "market leader," although he did not specify IBM or any other producer by name. The shops would not offer any computer under a Grundig label, he added.

Philips observers in West Germany indicated that the group regarded these computer shops as a further outlet for its personal computers. Grundig has not confirmed this, but such reticence tallies with its desire for an independent image.

Mr Koning said that about DM 25m ($9.3m) would be invested in the project in the next three years. Some of this would be met by the franchise holders and the rest shared by Grundig and PKI. He thought the computer shops could build up annual sales revenue to between DM 30m and DM 35m in three years.

He said that the Munich-based company would buy personal computers and software for the shops. Franchise holders would receive assistance financially and in other ways.

After three years Grundig will also offer its largest consumer electronics dealers the opportunity to sell personal computers, with the nearest computer shop supporting them with software and instruction for customers.

Mr Koning said there had long been debate in the consumer electronics trade about whether computers should find shelf space alongside TV sets and video recorders. "We have decided to prepare ourselves for the time when personal computers have a firm place in homes and with self-employed people," he said.

Mr Koning confirmed that Grundig hoped to return to profitability by the end of 1986. The company is aiming to reduce its loss to about DM 80m in the current financial year, ending March 31 next year. It made a loss of DM 286m in 1983-84, but reduced the deficit to DM 185m in 1984-85 after Philips took over.

Mr Koning said that the company was pressing ahead with plans to reduce its workforce to about 18,000 by the end of 1986. Grundig's labour force has been steadily falling from a peak of 38,500 in 1979.

He said that Grundig had reduced its warehouse stocks of video recorders of the V-2000 model to under 100,000, less than half the level at the time Philips took over the management. Grundig suspended production of V-2000 last year to whittle down stocks. It has now switched production to video recorders of the Japanese-developed VHS system, although Mr Koning said that the company was in a position to resume V-2000 production in the future.

Cartel veto on travel merger

By Rupert Cornwell in Bonn

THE FEDERAL Cartel Office in Berlin yesterday vetoed the proposed merger of the travel divisions of Karstadt and Kaufhof, the two largest West German store groups.

The decision hardly comes as a surprise given the adverse signals sent out in past months by the office. None the less, it is a setback for the two concerns' efforts to streamline and boost earnings in a flat domestic consumer market.

The cartel authorities cited restrictions on the choice open to customers and the potential threat to smaller regional travel agencies as the principal reasons for their ruling. It could, in turn, spark off further rationalisation measures

Earlier this year, Herr Walter Deuss, Karstadt's chief executive, warned of economy measures to boost the profitability of NUR Touristic, its travel offshoot, whose revenues dropped 1.9 per cent to DM 1.13bn ($421m) in 1984. Its intended partner, ITS, a subsidiary of Kaufhof, fared better, with an improvement in turnover of 4.2 per cent last year.

Even so, both Karstadt and Kaufhof argued that a merger was required to enable both to compete more effectively with Touristik Union International.

Pirelli to build high-tech park

BY OUR MILAN CORRESPONDENT

PIRELLI, Italy's leading tyre and cables group, yesterday announced plans for an ambitious project to transform a 70-hectare factory site on the edge of Milan into a high-technology science park.

The total investment required to convert the industrial area – funds would come from both the private and public sectors – could be as high as L1,000bn ($557m).

Pirelli reached agreement with trade unions earlier this year on the termination of its tyre production at the site, called the Bicocca plant. This will mean the movement of 2,400 of the 5,900 people who presently work at Bicocca.

Some 600 will be re-employed at a new tyre plant to be built nearby, 1,200 to 1,300 will take early retirement and 500 to 600 will be found new jobs at the site when it is eventually redeveloped.

Pirelli has invited 20 leading architects from around the world to submit proposals by February 28 for the Bicocca project.

The city of Milan and Lombardy regional government are also to co-operate in converting Bicocca into what Sig Leopoldo Pirelli, the group chairman, yesterday described as a high-technology science park, with public and private research centres, computer services, laboratories and high-technology service companies.

Pirelli referred yesterday to similar projects such as the Cambridge Science Park in the UK, Silicon Valley in California and the Massachusetts Technology Center.

PKbanken ahead at eight months

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

PKBANKEN, Sweden's third largest commercial bank, increased its operating result by 19 per cent to SKr 960m ($118m) in the first eight months of the year.

The bank, which is 85 per cent owned by the state, has significantly improved its profits despite the tough monetary policy that is currently being pursued by the Swedish central bank.

By contrast, S-E Banken, the country's biggest bank, whose profits stagnated in the first eight months, warned earlier this week that earnings for the full year would fall below the 1984 level because of the big increases in interest rates earlier this year.

PKbanken said yesterday that the favourable development achieved so far this year would also be reflected in the group's year-end results.

The parent bank increased its operating result in the first eight months by 19 per cent to SKr 826m. Interest earnings improved by 6 per cent while commissions and other earnings jumped by 23 per cent.

Loan losses were substantially lower than in the corresponding period of 1984, and the bank's financing has been greatly improved by last year's share issue when private investors were allowed for the first time to buy shares.

PKbanken's Luxembourg subsidiary has enjoyed a successful year in the Euromarkets.

● The big UK banks have ruled out plans to apply for licences to establish subsidiaries in Sweden, when the deadline in the first round of applications closes next Tuesday.

East Asiatic warning

By Hilary Barnes in Copenhagen

EAST ASIATIC Company of Denmark said that net profits this year would be slightly down on last year's DKr 151m ($15.3m) as the result of losses incurred on the sale of five ships. The sales will, however, lead to an improvement in 1986 earnings.

First-half group sales increased by about 12 per cent from DKr 8.25bn to DKr 9.24bn. Gross operating profit increased from DKr 1.80bn to DKr 2.09bn, according to a half-year interim report.

French split over credit rating agency

BY DAVID MARSH IN PARIS

A SPLIT has developed between the French Government and banks over plans to set up a credit rating agency next year to vet the financial health of companies.

The Finance Ministry, which is pushing forward plans for a commercial paper market in France, yest[illegible]y launched the idea of a rat[illegible]ency to assess the risk as[illegible]ated with companies tapping the ma[illegible] for funds. Officials said [illegible] would be asked to play a major role.

The French Banks Association, which has been working closely with the Finance Ministry on initiatives to deregulate parts of the French financial market, has, however, made clear its scepticism. The association points out the problems involved in the rapid establishment of an independent agency in France of the same quality as Moodys or Standard & Poors in New York. Additionally, French companies' generally low level of financial disclosure would be a considerable impediment to drawing up an accurate assessment of risk, a spokesman said.

The commercial paper suggestion has been put forward as part of a welter of deregulation initiatives this year by M Pierre Bérégovoy, the Finance Minister.

The first issues of commercial paper are expected to be made before the end of the year. Finance Ministry officials, scotching speculation that the new instruments could withdraw significant volumes of funds from the bond market, say that issues are likely to total only the relatively small amount of FFr 10m ($1.2bn) a year.

Among other financial innovations coming from Paris, the start of a planned futures market for bonds will be delayed until nearer the end of the year. It was originally planned to open next month but has been delayed mainly because of problems in working out computer procedures for the quotation system.

An agency issuing long-term mortgage bonds is also to make its debut before the end of the year as part of a plan to improve the system of housing finance. A total of FFr 4bn in bonds could be issued this year by the agency, the Caisse de Refinancement Hypothecaire, building up to an issuing rate of FFr 20bn a year.

Many bankers and corporate treasurers believe that fuller deregulation of French financial markets is being delayed by the strict exchange controls still in place. Officials confirmed yesterday that the Government was highly unlikely to carry out any further easing of exchange controls before the general elections next March.

Generous terms for CBS note facility

BY PETER MONTAGNON IN LONDON

BARCLAYS Merchant Bank yesterday launched its long-awaited $200m, five-year note issuance facility for CBS, the U.S. broadcasting and entertainment concern, on terms that were more generous than the market had expected.

The deal carries a fine 7 basis-point annual facility fee for underwriters, but a maximum yield of 18¾ basis points has been set on short-term notes offered under the facility. This is higher than previously anticipated.

In addition underwriting banks will receive a utilisation fee if notes fail to sell at the maximum yield. This starts at 2 basis points for drawings of up to $50m and rises in stages to 8 basis points for drawings of $150m to $200m.

Bankers said they would be watching the reaction of U.S. banks to these terms. Though they are not as tight as had been feared, some still expect leading U.S. banks to keep away from the deal on the grounds that Barclays has snatched a piece of prize U.S. corporate finance business from their grasp.

The deal also carries a $100m swing line option allowing immediate access to funds for a maximum period of seven days. The swing line bears interest at U.S. prime rate.

● Iceland is to join the list of sovereign borrowers raising money in the Eurocommercial paper market. It is arranging a programme through Citicorp and Enskilda Securities for an amount yet to be set.

Société Générale in Strauss stake talks

BY DAVID LASCELLES IN LONDON

SOCIÉTÉ GÉNÉRALE, the large French bank, may strengthen its international capital market activities by taking a stake in Strauss Turnbull, the London-based broking and Eurobond-dealing firm.

The bank already has a London-based securities joint venture with Strauss but is keen to expand its international dealing in stocks and bonds.

M Jacques Mayoux, the bank's chairman, said in London yesterday: "We are currently discussing the possibility of creating a major international dealing operation." The joint venture, founded in 1980, is owned on a 55-45 per cent basis by Société Générale and Strauss and is, according to M Mayoux, "highly profitable."

It was not clear how Société Générale's plans would fit in with those of Hambros Bank, which owns 29.9 per cent of Strauss Turnbull. Mr Rupert Hambro, the chairman, said three-way discussions were going on between his bank, Strauss and Société Générale, but they were far from any conclusion.

Société Générale's London merchant banking subsidiary is also active in the capital markets.

M Mayoux said his bank aimed to raise its capital to 5 per cent of assets by next year. Following the bank's recent issues of non-voting stock and perpetual debt notes this ratio had already been increased to 4.4 per cent this year. The further increase would come largely from retention of profits.

Chrysler deal comes with all the options

BY MAGGIE URRY IN LONDON

CHRYSLER offered the Eurodollar bond market a new structure to figure out yesterday with a $150m, five-year issue led by Banque Paribas. The deal gives investors the right to ask for redemption after two, three and four years at rising prices.

The bonds carry a 9⅝ per cent coupon and are issued at 100¼. Investors can exercise the put option at 99¼ after two years, 99½ after three and 99¾ after four. Thus they must initially take a two-year view but can then reassess the bonds each year. If investors stay to the end, Chrysler will have obtained cheap funds.

Chrysler has not proved a popular credit with investors, though it has been improving, hence the deal's structure which gives a yield of around one point above U.S. Treasury bonds on the two-year view. Traders were taking time to assess the deal yesterday, and it was moving slowly, bid just inside the 1⅞ per cent fees.

Otherwise the Eurodollar sector was quiet, and in the secondary market prices gave up early gains to finish little changed when the New York market opened weaker.

The European currency unit convertible issue for CIR International, the Italian industrial holding company, was increased from Ecu 75m to Ecu 85m yesterday. Lead manager Credit Suisse First Boston cut the coupon from the indicated 5 to 5½ per cent to 4⅞ per cent and set the conversion premium at 4½ per cent. The bonds continued to trade just above the par issue price.

The Euroyen convertible market, which had a brief and uncomfortable opening in April, was reopened by Bridgestone, the Japanese tyre manufacturer, with a Y20bn, 15-year issue. Daiwa Europe indicated a 2¼ per cent coupon. Fees total 2½ per cent, but the bonds were not seen trading yesterday.

No new Australian dollar issues were launched; some of the recent deals are performing badly. An issue in New Zealand dollars is expected for 3M, the U.S. diversified manufacturer.

A slightly firmer tone was felt in the Swiss franc foreign bond market yesterday. The SwFr 275m issue for R. J. Reynolds traded for the first time yesterday and closed at 99⅝ – its issue price – an even better showing than some dealers had expected. The 15-year deal has a 5⅝ per cent coupon.

In the D-Mark market prices gained ⅛ to ¼ point, encouraged by the improvement in the New York market the previous day. No new issues were launched, but today the size of the calendar for October will be published. Dealers are looking for a DM 1bn to DM 2bn total.

The World Bank launched a NKr 250m deal led by Bergen Bank. This has a 10-year life and a 9¾ per cent coupon. It will be priced on Monday and was trading well within the 1⅞ per cent selling concession.

● County Bank is building up its capital markets trading operations by taking on another 11 people, as part of the new National Westminster Investment Bank. Following the recruitment of Mr Christopher Maytum from Prudential-Bache as head of trading at County, nine more Pru-Bache traders have been hired from the London, New York and Hong Kong branches. The other two were formerly with different firms.

Pru-Bache's Eurobond trading side is somewhat depleted as a result, but Pru-Bache stresses that it is still in business

INTL. COMPANIES & FINANCE

Trans Freight turnround helps double TNT profits

BY LACHLAN DRUMMOND IN SYDNEY

THOMAS NATIONWIDE Transport, (TNT), the Australian-based forwarding and transport group, more than doubled net earnings from A$30.22m to A$75.6m (U.S.$54m) in its June 30 year, earning almost as much in the final quarter as for all 1983-84.

The full-year for the international transport operator includes A$28m for the final quarter, compared with A$13m in the closing three months of 1983-84. Revenues were 29 per cent higher at A$2.26bn.

A turnround from A$30m of loses, to unspecified profits by Trans Freight Lines, its trans-atlantic shipping group, was the major factor while U.S. road freight was in profit overall, after the lossmaking Pilot Freight showed a "vast improvement" on last year's A$14.5m losses.

Pre-tax earnings were A$101.57m, compared with A$43.44m, and included A$58.17m against A$37.74m as its equity entitlement to the profits of associate companies, mainly Ansett and McIlwraith McEacharn.

Removing the equity amounts leaves the underlying TNT operation well up from A$5.7m to A$43.4m before tax. The result also includes interest in non-associate dividend income of A$23.83m against A$15.84m.

Interest charges were A$77.5m against A$59m and mostly reflected higher payments on foreign debts after the fall in the Australian dollar.

The tax charge was A$24.55m compared with A$12.24m, mostly from its share of associates' bills.

Directors said Australian road freight and transport operations enjoyed higher demand from strong economic growth, although margins remained tight. Ansett's contribution was "not much better" after a stronger operating performance.

The UK produced a marked increased profit on steady revenues while its express freight business in Europe maintained profitability on expanded operations.

An unchanged 3 cents final dividend maintains a total of 12 cents a share on increased capital.

Pioneer Concrete shows growth

BY OUR SYDNEY CORRESPONDENT

PIONEER CONCRETE Services, the Australian building products company, reveals net earnings of A$105m (U.S.$75m) for its June 30 year, compared with $85m in the previous period.

Earnings for the second six months were up 42 per cent to A$58m as volumes picked up and unprofitable divisions were turned round and as its 80 per cent-owned Ampol Petroleum offshoot benefited from higher volumes and better margins.

Meanwhile, Sir Tristan Antico, Pioneer's chairman, foreshadowed a possible sale of its extensive offshore activity because of last week's moves to impose the Australian tax rate on foreign-sourced income from 1987.

Up to 25 per cent of Pioneer's earnings and A$500m of total assets come from offshore.

The profit was struck on an 8.3 per cent rise in sales to A$2.6bn. Sir Tristan said Australian pre-mixed concrete, quarrying and asphalt performed strongly. Trading profits were recorded in the UK, though there were losses after interest charges.

Spain recorded a loss, German profits were restored, Hong Kong increased its profits, Israel was satisfactory, and U.S. acquisitions consolidated its position.

An unchanged final of 6.25 cents takes the total dividend from 11.25 cents to 12.5 cents a share.

A$125m rights issue at IEL

BY OUR SYDNEY CORRESPONDENT

INDUSTRIAL EQUITY (IEL), the Australian takeover specialist, controlled by Mr Ron Brierley, which is on the brink of a bigger push into offshore markets, has called on shareholders for an additional A$125m (US$89m) through a one-for-three rights issue.

The issue came with the announcement of a near doubling of net earnings from A$26.3m to a record A$51.1m in its June 30 year.

Along with unused credit facilities of about A$450m, the additional equity funds leave IEL well-placed for major moves. Mr Russell Coward, chief executive, said some of the money would be directed to subsidiary and associate companies, which include the Hong Kong-listed Industrial Equity Pacific, vehicle for its A$100m takeover last year of Higbee, a Cleveland retailer.

IEL recently took control of Tozer Kemsley and Millbourn in the UK and has a range of substantial equity involvements in the UK and U.S.

The latest year's record profit came on a 73 per cent turnover rise to A$1.07bn, helped by some of the group's newer subsidiaries. IEL's traditionally low tax rate was shaved from 14 per cent to 9 per cent, while its interest bill jumped from A$26m to A$50.3m, as a result of increased investments and takeover activity.

The rights issue is pitched at A$3 a share—A$4.20 below market—and will be followed by a one-for-two scrip issue. The company said the 10 cents a share annual dividend would be maintained on increased capital.

Slowdown in building hits UAC results

By Wong Sulong in Kuala Lumpur

THE SLOWDOWN in public construction and private sector building in Malaysia has adversely affected UAC, formerly United Asbestos Cement, which reveals that pre-tax profits for the year ended June, fell by 36 per cent to 12.3m ringgit (U.S.$5m).

Turnover declined by 15 per cent to 80m ringgit.

UAC, which is a major supplier of asbestos pipes, and building materials, is paying a final dividend of 12.5 cents a share, which lowers the year's total from 28 cents to 25 cents a share.

● **Kulim (Malaysia)**, the plantation group, saw net group earnings plummet to 4.2m ringgits in the six months ended June, down 63.3 per cent from the previous year's corresponding 11.5m ringgits. Group turnover slumped to 35m ringgits, down 48.2 per cent from 67.5m ringgits, **AP-DJ reports from Kuala Lumpur.**

Kulim said oil palm fruit yields fell 26 per cent in the first half because of 1983's "severe drought conditions." Palm oil production fell 26.7 per cent to 16,197 metric tons, and selling prices for palm oil declined 18.2 per cent to 1,281 ringgits per metric ton.

Eurobond houses pact on non-commercial clauses

BY MAGGIE URRY

THE INTERNATIONAL Primary Market Association, which represents the 45 principal Eurobond issuing houses, has published a recommendation to its members on early disclosure of the non-commercial terms of Eurobond issues.

These cover such matters as the ratings of the bonds, restrictions on selling them, clauses in the documents dealing with negative pledges and cross defaults, and taxation.

These terms can make a material difference to the value of bonds. Yet co-managers often do not know, for instance, whether a bond will have a cross default clause until after they have accepted an invitation to join the syndicate. Telexes setting out details are usually sent the day after an issue is launched.

The recommendation is that lead managers should disclose these items when the invitations go out, so that co-managers have the necessary information to make a decision. If there are material changes to the terms in the invitation telex subsequently, co-managers could reverse their decision.

The guidelines have been drafted by the association's legal and documentation committee, headed by Mr Theo-Max van der Beugel of Swiss Bank Corporation International. They are expected to take effect from October 15 this year, although some houses are already observing them.

Mr van der Beugel said that he did not expect the extra work involved to slow down the speed of syndicating issues in the Eurobond market, though lead managers would have to agree these non-commercial terms with borrowers earlier in the process.

Neptune Orient Lines dip

NEPTUNE ORIENT LINES, the Singapore shipping company, has reported group net profits of S$1.1m (U.S.$509,000) for the first six months of 1985, down 75.2 per cent from S$4.6m a year earlier, **AP-DJ reports from Singapore.**

Turnover, which included ship sales, rose 9.3 per cent to S$435.6m from S$398.3m.

Neptune predicted that results for the second half would be "less favourable" because of the continuing slump in world shipping.

The company did not declare an interim dividend.

Progress in asbestosis claims at USG

By Andrew Baxter

USG, the U.S. building materials and industrial products group formerly known as U.S. Gypsum, is making progress in settling the asbestos claims it faces along with other big companies in the sector.

Mr Robert Day, chairman and chief executive, expressed confidence yesterday that the recently announced joint effort by building materials companies and insurers to settle the claims would bring speedier settlements and reduce legal costs.

USG has disposed of half of the 6,000 injury claims it faces, and the rest will be included in the new Wellington Agreement scheme.

However, the 90 property claims against the company, deriving from ceilings in schools, are still being handled individually, and only three have been settled. But Mr Day said he expected an agency would be set up to speed settlement.

In comparison with other companies embroiled in asbestosis litigation, USG's involvement is minor. It never mined or produced asbestos, and its sole product containing asbestos has been discontinued.

The company changed its name and formed a holding company on January 1 to reflect the fact that less than half of its annual sales are now in gypsum products.

Last year USG broadened its position in the building materials market with $381m acquisition of Masonite, the U.S. hardboard products maker. Mr Day said further acquisitions are being considered, within USG's present line of business.

The company reported earnings of $186.5m last year, and Wall Street is expecting another record in 1985.

Dinar bonds to be listed in Kuwait

KUWAIT—The Kuwait Stock Exchange is to introduce bond trading for the first time next Sunday, Mr Khaled al-Khorafi, the director-general has announced here.

The exchange has selected bonds issued by 21 Kuwaiti and six foreign companies for listing. Full details will be announced soon. The Kuwaiti dinar-denominated bonds will be open to trading by both residents and non-residents.

Kuwaiti dinar bonds have proved popular internationally in the past, and have been listed on European stock exchanges. Although only Kuwaiti dinar-denominated securities will be traded at the start, other bonds and investment instruments are to be introduced later.

Kuwait Investment Co., Kuwait Foreign Trading, Contracting Investments Co., and Kuwait International Investment Co. have been approved as market makers.

Agencies

BASE LENDING RATES

A.B.N. Bank	11½%	■ Hambros Bank	11½%
Allied Dunbar & Co.	11½%	Heritable & Gen. Trust	11½%
Allied Irish Bank	11½%	■ Hill Samuel	§11½%
American Express Bk.	11½%	C. Hoare & Co.	11½%
Henry Ansbacher	11½%	Hongkong & Shanghai	11½%
Amro Bank	11½%	Johnson Matthey Bkrs.	11½%
Associates Cap. Corp.	12 %	Knowsley & Co. Ltd.	12 %
Banco de Bilbao	11½%	Lloyds Bank	11½%
Bank Hapoalim	11½%	Edward Manson & Co.	12½%
BCCI	11½%	Meghraj & Sons Ltd.	11½%
Bank of Ireland	11½%	Midland Bank	11½%
Bank of Cyprus	11½%	■ Morgan Grenfell	11½%
Bank of India	11½%	Mount Credit Corp. Ltd.	11½%
Bank of Scotland	11½%	National Bk. of Kuwait	11½%
Banque Belge Ltd.	11½%	National Giro Bank	11½%
Barclays Bank	11½%	National Westminster	11½%
Beneficial Trust Ltd.	12½%	Northern Bank Ltd.	11½%
Brit. Bank of Mid. East	11½%	Norwich Gen. Trust	11½%
■ Brown Shipley	11½%	People's Trust	12½%
CL Bank Nederland	11½%	PK Finans Intl. (UK)	12 %
Canada Permanent	11½%	Provincial Trust Ltd.	12½%
Cayzer Ltd.	11½%	R. Raphael & Sons	11½%
Cedar Holdings	12 %	Roxburghe Guarantee	12 %
■ Charterhouse Japhet	11½%	Royal Bank of Scotland	11½%
Choulartons**		Royal Trust Co. Canada	11½%
Citibank NA	11½%	■ J. Henry Schroder Wagg	11½%
Citibank Savings	¶12½%	Standard Chartered	‖11½%
City Merchants Bank	11½%	TCB	11½%
Clydesdale Bank	11½%	Trustee Savings Bank	11½%
C. E. Coates & Co. Ltd.	12 %	United Bank of Kuwait	11½%
Comm. Bk. N. East	11½%	United Mizrahi Bank	11½%
Consolidated Credits	11½%	Westpac Banking Corp.	11½%
Continental Trust Ltd.	11½%	Whiteaway Laidlaw	12 %
Co-operative Bank	11½%	Williams & Glyn's	11½%
The Cyprus Popular Bk.	11½%	Yorkshire Bank	11½%
Duncan Lawrie	11½%		
E. T. Trust	12 %		
Exeter Trust Ltd.	12 %		
Financial & Gen. Sec.	11½%		
First Nat. Fin. Corp.	13 %		
First Nat. Sec. Ltd.	13 %		
■ Robert Fleming & Co.	11½%		
Robert Fraser & Ptns.	12½%		
Grindlays Bank	‡11½%		
■ Guinness Mahon	11½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.00%. 1-month 8.50%. Top Tier—£2,500+ at 3 months notice 11.25%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 8% gross.
‖ 21-day deposits over £1,000 8.25%.
¶ Mortgage base rate.
** See Provincial Trust Ltd.
§ Demand deposits 8%.

DAIWA EUROPE LIMITED
JAPANESE EQUITY WARRANTS SERVICE

ISSUER—Warrant expiry date	Current Market Prices: Wrnt BID (%)	Wrnt OFFER (%)	Share Price (Yen)	Offer Calculations: Premium (%)	Gearing	Premium/Gearing Ratio
AICA KOGYO 17/8/90	19.50	21.00	740	19.87	6.10	3.90
CASIO COMPUTERS 6/3/89	38.50	40.00	1,630	5.70	3.43	1.66
C. ITOH 4/5/89	39.50	41.00	470	1.44	3.44	0.42
C. ITOH 20/1/87	54.00	59.00	470	14.59	2.38	6.13
DOWA MINING 20/7/90	10.50	12.00	671	26.89	7.85	3.42
FUJIKURA CABLE 28/4/89	8.50	10.00	330	28.86	8.63	3.34
HAZAMA GUMI 1/11/89	13.00	14.50	418	27.13	6.81	3.99
J.S.R. 28/4/89	9.00	10.50	355	38.01	7.73	4.92
JUSCO 22/12/88	82.00	86.00	884	18.12	1.94	6.30
KAYABA INDS 15/2/89	20.00	21.50	315	6.57	6.56	1.07
KUMORI PRINTING 20/12/89	19.00	20.50	2,070	40.81	6.57	6.86
MARUZEN 12/2/90	9.00	10.50	465	37.10	8.86	4.19
MINEBEA 20/2/89	55.00	60.00	776	53.87	1.79	30.06
MIT. CHEMICAL 20/1/87	93.00	98.00	472	33.13	1.53	21.71
MIT. CORPORATION 7/11/88	38.50	40.00	700	−1.54	3.70	−0.42
MIT. GAS & CHEM 20/3/89	34.00	35.50	418	5.44	3.64	1.49
MITSUI E/S 15/10/88	11.00	12.50	165	13.95	8.25	1.69
MITSUI E/S 10/12/87	25.00	27.00	168	8.89	4.76	1.87
MIT. METAL 10/2/89	78.00	83.00	623	34.02	1.69	20.11
MIT. METAL 10/11/89	12.50	14.00	623	28.66	6.90	3.89
MITSUI PETRO. 15/2/90	24.50	26.00	444	6.54	5.28	0.86
NIPPON MINING 17/3/89	94.00	98.00	383	48.05	1.37	35.11
NIPPON MINING 15/6/90	12.00	13.50	383	39.48	6.69	5.90
NISSHO IWAI 1/2/89	14.50	16.00	295	9.32	6.94	1.34
NOMURA SECS. 31/10/88	78.00	79.50	1,270	−3.04	2.35	−1.28
OHBAYASHI GUMI 5/4/89	98.00	102.00	488	0.50	1.98	0.25
OMRON TATEISHI 31/3/89	8.50	10.00	1,230	103.44	5.44	19.02
ONODA CEMENT 28/2/90	21.50	23.00	390	8.28	5.63	1.47
OPTEC DAI-ICHI 23/2/90	18.00	17.50	631	20.09	6.40	3.16
OSAKA TRANSF 29/1/90	20.00	21.50	532	14.57	5.51	2.64
RENOWN 24/1/89	12.50	16.00	740	19.63	7.13	2.73
RYOBI LTD 25/5/90	13.50	18.00	402	17.30	7.24	2.38
SEINO TRANS. 17/3/89	16.00	17.50	1,220	9.83	6.10	1.61
SEIYU STORES 20/3/87	60.00	64.00	720	40.83	1.87	21.93
SONY CORP. 26/4/90	15.00	16.50	3,430	49.05	5.33	8.20
SUMI. CONST. 24/3/89	77.00	60.00	360	−0.93	2.30	−0.40
SUMI. HEAVY 24/2/89	26.50	27.00	268	3.63	4.72	0.77
SUMI. REALTY 21/11/89	99.00	100.50	1,000	−0.52	2.11	−0.25
TOKYO ELECTRIC 14/3/89	7.00	8.50	950	59.22	8.39	7.06
TOKYO SANYO 8/5/87	148.00	153.00	585	79.62	0.96	83.38
TOKYU CORP. 29/1/90	88.50	50.00	599	−2.88	2.34	−1.23
TOKYU DEPT. STRS 20/7/90	21.50	23.00	568	6.94	8.48	1.28
TORAY INDS. 5/3/87	30.50	32.00	574	2.23	4.18	0.53
TOYO ENG. 28/2/89	54.00	58.00	700	49.31	1.88	26.16
YAMAMURA GLASS 6/5/90	10.50	12.00	420	34.79	7.68	6.64
YAMATO KOGYO 29/1/90	14.50	16.00	608	18.00	7.04	2.27
KOKUSAI KOGYO 19/9/90	18.00	18.50	1,930	17.43	5.64	3.09
SEKISUI CHEM. 20/9/90	29.50	31.00	591	11.76	4.06	2.90
RICOH 20/9/90	14.00	15.50	849	18.81	6.74	2.96
MARUBENI 30/9/92	18.00	19.50	409	10.42	5.88	1.75

Reuters Monitor DABF/G/H/I/J - Further information from: Freddy Glock, Beverly Kelly or Edward Cartwright on 01-248 8080 Daiwa Europe Limited, 14 St Paul's Churchyard, London EC4M 8BD

Merchant banking is a success story that only one bank could write:

Bankers Trust.

Euromoney June, 1985

The change from commercial to investment banking requires a cultural transformation. Bankers Trust has made it, others still have to cross the divide.

When most US money centre banks set out a decade and ...

Montgomery Securities, November, 1984

As we have stated in numerous written reports in the past, Bankers Trust has emerged as one of the best managed money center institutions.

Bankers Trust is an organization very much in control of its destiny.

Results for the thre...

Forbes, January 14, 1985

Among the big banks, Bankers Trust held on to its number one slot in profitability. Over the past several years, Bankers has changed its strategy, dropping full-service operations to specialize in serving big commercial borrowers. The success is remarkable. Just fou...

Other U.S. banks might have seen and seized the opportunities of merchant banking. But only one bank did: Bankers Trust.

As we conceive it, merchant banking is a blend of commercial and investment banking with enormous potential for us and for our clients. It combines the lending capabilities and breadth of non-credit services of a commercial bank with the intermediary skills and entrepreneurial spirit of an investment bank.

Today, Bankers Trust stands alone as a worldwide merchant bank.

The success of our efforts has been widely reported in the financial press. And by other financial institutions. Some of those reports are reprinted here.

That success can also be measured by our increasingly powerful presence in some of the most competitive areas of banking. Some examples:

Leveraged leasing. For two straight years, we have arranged more leveraged leases than any other financial institution.

Swaps. Last year, our team of swaps specialists in New York, London and Tokyo completed more than 350 interest rate and currency swaps with counterparties in 27 countries.

Private placements. In 1984, Bankers Trust completed over $2.2 billion of corporate private placements, master notes and medium-term bank CDs. This puts us among the leaders in this form of financing.

Commercial paper. We were the first money centre bank to act as agent for commercial paper.

Our customers now have nearly $3 billion outstanding. Only a handful of investment banks—and no commercial bank—exceeds this volume.

Loan participations. The bank maintained a world leadership position in 1984 by granting more than $7 billion in loan participations.

Trading. We execute over $12 billion in money, securities and currency transactions daily. Today, we are one of the five largest primary dealers in U.S. government securities.

Investment management. We are responsible for the investment of over $40 billion in employee benefit and personal trust assets. Investment management clients include over 100 of the world's major corporations and public sector entities.

Eurosecurities. In 1984, Bankers Trust lead managed $2.2 billion and managed $15 billion more in Eurosecurity offerings. We are a market maker in over 500 fixed- and floating-rate Eurobonds.

Employee benefit, custody and corporate trust services. Through these three businesses, approximately half a trillion dollars is now under our care, making us an industry leader.

Such dominance, in so many markets, was not easily won.

Nor could it have been won without clients who were quick to apply the advantages of merchant banking to their own financial affairs.

Merchant banking is a remarkably versatile style of banking. Our merchant bankers respond quickly to changing customer needs, and adapt to change in the financial world itself.

It is through this versatility that we expect the success story of merchant banking to be continued. This year, next year, and in the years beyond.

THE ECONOMIST, March 24, 1984

The strategy has paid off ...Bankers Trust is rated by corporate treasurers among the first ranking corporate banks—achieved by a mixture of bringing in aggressive young bloods from Wall Street, paying well and changing the "culture" away from the cosy atmosphere of a commercial bank.

It was this consideration which prompted Bankers Trust...

Shearson Lehman/American Express, October, 1984

We believe Bankers Trust is a growth company. Its record over the past six years has clearly demonstrated this fact...We also believe that the creation of a highly geared, highly paid management team at both the upper and middle echelons has contributed meaningfully to the company's strength.

Therefore, we tend to think...

Bankers Trust Company
Dashwood House 69 Old Broad Street London

Merchant banking, worldwide.

INTL. COMPANIES & FINANCE

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for September 26.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex Credit 10⅞ 90	189	102⅜	102⅞	0	+0½	10.10
Amex Credit 12⅛ 88	150	105	105½	0	+0¾	10.13
Atlant Richfld 10¼ 89	250	93⅞	94⅜	+0⅜	+0¾	11.06
Australia Com 11¼ 00	100	103	103½	0	+0¼	10.78
Australia Com 11 95	200	102	102½	+0⅛	+0¾	10.60
BP Capital 11⅛ 92	150	102⅜	102⅞	+0½	+0¾	10.51
Canada 11½ 90	500	105⅛	105⅝	+0⅜	+0⅞	9.92
Canadian Pac 10¾ 93	150	102⅛	102⅝	+0½	+1⅛	10.27
Canadian Pac 12¼ 99	75	103⅛	103⅝	+0⅜	+1⅜	11.28
Chevron U.S.A. 12¼ 89	600	104¾	105¼	+0¼	+0¾	10.65
Citicorp 10 88	200	100	100½	+0¼	+0⅝	9.86
Citicorp 11½ 95	150	102⅜	102⅞	+0⅝	+1¼	11.03
Coca Cola 11¾ 91	100	105¼	105¾	+0¼	+0⅜	10.25
Denmark Kingdom 11¼ 89	100	103⅛	103⅝	+0⅜	+1⅜	10.05
Denmark Kingdom 11½ 90	100	103¾	104¼	+0⅜	+1¼	10.33
Denmark Kingdom 11½ 92	100	103⅜	103⅞	+0½	+0⅞	10.67
E.D.F. 10 95	225	95⅜	95⅞	+0½	+1	10.73
E.E.C. 9¾ 90	350	97⅝	98⅛	+0⅛	+0⅞	10.19
E.E.C. 11⅛ 90	100	103⅛	103⅝	+0½	+1¼	10.09
E.I.B. 12 90	200	106¾	107¼	+0½	+1⅜	10.77
Export Dev Corp 10 90	100	99⅝	100⅛	0	+0⅝	10.01
Export Dev Corp 12 89	100	106⅜	106⅞	+0¼	+0⅜	9.94
Fed Dep Stores 10⅛ 95	100	96⅝	97½	+0½	+0¾	10.64
Ford Motor Cred 11⅜ 90	100	102½	103	+0½	+0½	10.52
Ford Motor Cred 11⅝ 95	100	102	102½	+0½	+1⅛	11.00
Ford Motor Cred 11¾ 92	100	102¾	103¼	+0⅜	+0¾	11.05
Ford Motor Cred 12 90	100	104¾	105¼	+0¼	+1	11.08
Gen Elec Credit 10¼ 00	200	101⅛	101⅝	+0¼	+0⅞	10.05
GMAC 10¼ 89	200	101⅛	101⅝	+0⅛	+1	9.75
IBM Credit 10⅜ 2000	300	102	102½	+0¼	+1⅛	10.06
Kellogg Company 10⅞ 90	100	103½	103	+0½	+0¾	10.02
Kellogg Company 11¼ 92	100	103⅞	104⅜	+0⅜	+1⅝	10.30
L.T.C.B. 12¾ 01	100	109⅛	109⅝	+0½	+0⅛	10.69
Macy Cred Corp 11¾ 95	100	104¼	104¾	+0½	+1¼	10.93
Merrill Lynch 12⅛ 89	100	105⅝	106⅛	+0½	+1	10.47
Minnesota 11½ 87	100	103⅝	104⅛	−0⅛	+0⅛	9.33
Mitsui Trust 11⅛ 00	100	102¼	102¾	−0⅛	+0¾	10.89
Morgan Guaranty 12⅛ 89	150	106⅜	106⅞	+0⅜	+0⅜	10.26
Pru Realty secs 12½ 95	548	106¾	107¼	+0½	+0½	10.87
Qantas Airways 10⅛ 95	140	98½	99	+0¼	+0⅜	10.37
Quebec Hydro 11½ 92	100	104¾	105¼	+0½	+1⅜	10.46
Queensland Govt 10¼ 95	100	96⅞	97⅜	+0¼	0	10.73
Ralston Purina 11¾ 95	150	105	105½	+0⅜	+1	10.82
Ralston Purina 12¼ 89	100	107½	108	+0¼	+0⅞	10.31
Saskatchewan 10¾ 92	100	101¾	102¼	+0⅜	+1¼	10.28
Saskatchewan 11⅞ 89	100	†105⅜	105⅞	0	+0⅛	10.12
Statoil 10 90	170	99⅛	99⅝	0	+0¾	10.15
S Wales Trsy 11¾ 90	150	104⅜	104⅞	+0½	+0⅜	10.40
Swed Exp Cred 10 92	100	97⅜	97⅞	+0¼	+0⅞	10.49
Swed Exp Cred 12¼ 89XW	100	107¼	107¾	+0⅜	+0¾	10.24
Sweden Kingdom 10⅞ 90	200	102⅜	102⅞	+0⅜	+1⅛	10.10
Sweden Kingdom 11½ 89	200	101	101½	+0¼	+0⅝	10.18
Sweden Kingdom 11¾ 94	100	105¾	106¼	+0½	+1	10.68
Tenneco Corp 10¾ 95	150	99⅞	100⅜	+0⅜	+0½	10.71
Texaco Capital 10 95	300	94⅜	94⅞	−0⅛	−0⅛	10.91
Texaco Capital 11⅛ 95	250	100⅝	101⅛	+0⅜	+1⅛	10.95
Tokai Asia 11½ 95	100	102⅝	103⅛	+0⅜	+1	10.98
United Tech Fin 10⅝ 95	100	98⅞	99⅜	+0¼	+1	10.77
Victorian Rep 11⅝ 92	150	103⅞	104⅜	+0¼	+0⅝	10.89
World Bank 10⅛ 95	300	97⅞	98⅜	+0¼	+1⅜	10.43
World Bank 12⅛ 94	200	111½	112	+0¼	+0⅞	10.76

Average price change On day +0¼ on week +0¾

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 8 94	200	106½	107	0	0	6.96
Austria Republic 7⅛ 94	200	104¾	105½	0	0	6.80
Baxter Travenol 7¼ 94	200	103⅝	104⅜	+0⅛	+0⅛	6.61
Copenhagen 7⅜ 96	150	101¾	102½	0	+0⅛	7.03
Credit National 8⅛ 94	200	107½	108¼	+0⅛	+0⅛	6.85
E.I.B. 7¼ 94	300	103⅝	104⅛	+0⅜	+0¾	6.67
Escom 8 92	150	95¼	96	+0⅛	−0⅞	8.90
Ex-Im Bk Korea 7⅝ 90	100	99¾	100¼	+0⅜	+0⅝	7.61
Ferrovie Dello Stato 8 91	100	105½	106¼	0	−0⅛	6.88
Finland Republic 7 92	200	102¼	103	+0⅛	+0⅝	6.47
Gould Int Fin 7⅝ 91	100	104¾	105½	−0⅛	+0⅛	6.50
Ireland 8⅛ 92	150	104⅞	105⅝	−0⅛	−1	7.09
Japan Fin Corp 7⅜ 91	100	105⅝	106⅜	+0¼	+0⅜	6.34
Mitsubishi Hvy 3½ 89WW	300	177¼	178¾	+0¾	+6¾	−12.00
Mitsubishi Hvy 3½ 89XW	300	92¾	93½	0	−0⅛	5.71
Mitsubishi Met 3⅝ 89WW	100	105⅝	106⅞	+0¼	+0¾	1.59
Mitsubishi Met 3⅝ 89XW	100	90¼	91	+0⅛	0	5.75
Quebec Hydro 7⅛ 95	200	103	103½	−0⅛	−0⅛	6.65
Renfe 7¾ 95	100	103¾	104¼	+0⅛	+0¼	7.15
Renown 3⅛ 90	80	107½	108¾	+0½	+0⅝	1.35
Soc Cent Nucleair 7¼ 95	150	101¼	102	0	+0⅛	7.01
Societe Cent Nucleair 8 91	100	106⅝	107⅜	0	−0⅛	6.50
Sth African Tran 7⅝ 92	100	93	93¾	+0⅛	+0⅝	8.91
World Bank 7 95	800	†102⅜	102⅞	+0⅜	+0⅝	6.62
World Bank 7¾ 89	100	103⅝	104⅛	0	−0¼	6.46

Average price change On day +0¼ on week +0⅝

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev Bk 6¼ 94	100	†101½	101¾	0	−0⅝	6.01
Avon Cap Corp 5⅝ 94	130	†100	100¼	0	+0⅛	5.35
Brit land Comp 6½ 99	75	†104	104¼	+0¼	+0⅜	6.00
Council of Europe 6 92	120	†103¾	104	+0¾	−0⅜	5.33
Creditanstalt 5½ 94	100	†99¼	99½	−0¼	−0⅛	5.58
Deutsche Bk Fin 5⅝ 95	100	†102	102¼	+0¼	+0⅜	5.08
E.I.B. 5⅞ 94	120	†102⅛	102¾	+0½	−0⅛	5.50
Gen Occidentale 4½ 94	80	†102½	102¾	−0¼	−1⅛	4.15
Glendale Fed.S&L 5½ 95	100	†99	99¼	−0¼	−0⅜	5.75
I C Industries 5⅝ 94	125	†102½	102¾	0	−0⅛	5.25
Ind Fund Fin 5¾ 94	40*	†101½	101¾	−0½	−0¼	5.52
Int-Am Dev Bk 6⅛ 94	120	†103½	103¾	0	−0⅛	5.60
N.Zealand steel 5¾ 96	70	†99	99¼	−0⅛	−0⅜	5.85
Oberos Kltek 5⅝ 95	100	†99¾	100	+0¼	+0⅜	5.29
Ralston Purina 5⅝ 94	125	†102	102¼	+0¼	+0⅞	5.08
Santos Finance Ltd 6 94	130	†100	100¼	0	−0½	5.98
Tokyo Elec Pwr 5½ 93	120	†101	101¼	+0⅜	+0⅜	5.30
Tokyo Metropolis 5¼ 94	80	†100	100¼	0	+0⅝	5.23
World Bk 5¾ 94	150	†101⅛	101¾	−0½	−0⅛	5.52

Average price change On day 0 on week 0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Finland Republic 6¾ 90	75	101⅜	101⅞	0	+0⅜	6.32
Gdyr Tr & Rubber 7⅛ 95	25	100⅞	101⅜	−0¼	+0¾	6.95
Mort Bk Denmark 7 92	10	101⅛	102	0	+0⅜	6.68
New Brunswick 7⅛ 95	10	102⅞	103⅜	−0⅛	+0½	6.67
Swed Exp Cred Zero 99	14	72⅛	73	−0⅛	+0¼	6.57

Average price change On day −0⅛ on week +0½

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aust & NZ Bk 12¾ 90SA	100	102⅜	102⅞	−0¼	+0⅛	11.91
Aust Gas & Light 13 92 SA	50	99¼	100¼	−0⅛	−0⅛	13.04
N S Wales Tsy 12⅞ 92SA	75	99⅝	100⅝	0	+0½	12.82
Sth Aust Govt 12⅞ 01SA	50	94⅜	95⅜	0	+0⅛	13.67
Amex 10¼ 90 C$	50	99⅛	99⅞	0	+0½	10.50
CIBC 10¾ 90 C$	75	†98¼	99¼	+0⅛	−0⅛	11.09
Genstar Fin 11¾ 90 C$	75	99⅛	99⅞	+0⅛	+0¼	11.92
Hamil-Went'th 10¾ 95C$	25	†95½	96½	0	+1½	11.43
Loblaw Cos 11⅞ 92 C$	60	†99¾	100¾	+0⅛	+1¼	11.54
Sears Acc. Co 10⅝ 92C$	75	†95⅝	96⅝	+0⅛	−0⅛	11.46
Winnipeg City 10⅝ 90C$	60	99⅝	100⅛	+0⅛	+0⅝	10.67
Chrysler Fin Corp 17 90NS	65	93	94½	−0¼	+1½	19.03
K.O.P. 16¼ 91 NS	60	98	99	−0⅛	+0¾	19.42
Privatbanken 16⅛ 88 NS	50	95	96	0	+2	17.73
Creditanstalt 8⅞ 94ECU	65	99¾	100⅛	+0⅛	+0¼	8.95
Morgan Gty 8½ 90 ECU	100	98⅞	99⅜	0	−0⅛	8.90
Sec Pac Aust 8¾ 90 ECU	100	98⅛	98¼	+0½	+0⅛	9.02
ITT Corp 7 90 FL	100	101¼	101¾	0	+0⅛	6.58
Mafina 7 90 FL	100	101½	102	+0⅛	+0⅛	6.55
Thyssen 7¼ 99 FL	50	101¾	102¼	0	+0⅜	6.76
Wereldhave 7¼ 90 FL	75	102	102¼	0	+0⅛	6.63
Wessanen 8¼ 90 FL	50	99⅛	99⅝	−0⅛	−0⅛	8.65
IBM France 11⅛ 90 FF	700	98½	99⅜	0	+0¼	11.27
Australia Comm 11 92 £	40	100¼	100¾	0	+0½	10.85
BP Capital 10¾ 92 £	50	99¾	100¼	+0⅛	+0⅞	10.75
E.I.B. 11⅛ 93 £	80	100⅝	101⅛	0	+0⅝	10.92
GMAC UK Fin 10½ 90 £	30	98⅝	99⅛	0	+0½	10.78
Imp Chem Inds 11¼ 90 £	75	100½	101	+0⅛	+0⅞	11.12
Imp chem Inds 10¾ 92 £	75	97⅝	98⅛	0	+0⅝	11.30
Mcdonalds 10⅞ 90 £	40	100⅜	100⅞	−0⅛	+0⅝	10.66
Mitsubishi Fin HK 11 90 £	30	100	100½	+0⅛	+0⅝	10.89
Privatbanken 11⅛ 92 £	20	100⅝	101⅛	0	+0½	11.64
Rank Xerox 11 92 £	40	99¾	100¼	−0⅛	+0⅞	10.97
Royal Ind 10¾ 92 £	85	97	97½	0	+0⅝	11.33
Ster Drug Cap 10½ 90 £	50	99⅞	100⅜	0	+1⅛	10.90
Tricentrol XW 11 92 £	35	95⅛	95⅝	+0⅛	+1	12.01
Trusthouse Forte 11⅛ 90£	50	99⅝	100⅛	+0⅛	+0¾	11.12
World Bank 11¼ 95 £	100	101¾	102¼	0	+0¼	10.95
E.C.S.C. 10½ 94LF	700	103⅝	104⅛	0	+0⅛	9.77
Nat Lux Alum 10½ 92 LF	600	103⅞	104⅞	−0⅛	−0⅜	9.61

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Banco di Roma 5¼ 92	0	†99¾	100	27/9	8.04	8.05
BankAmerica O/S 5¼ 90	0⅛	99⅞	100⅛	30/9	8⅛	8.13
Bankers Trust 5 2000	0	99⅞	100⅛	11/12	8.44	8.44
Bankers Trust 5¼ 96	0⅛	100¼	100½	13/11	8.31	8.30
B.F.C.E. 5¼ 89	0⅛	100⅜	100⅝	13/12	8¾	8.71
B.N.P. 5¼ 96 (July)	0¼	100	100¼	22/1	8¼	8.24
C.C.F. 5¼ 97	0	99¾	100	27/9	8.06	8.07
Chase Man'tn 5 2000	0	99¾	100	12/11	8⅛	8.14
Chase Man'tn 5¼ 2009	0⅛	100	100¼	5/12	8.44	8.43
Citicorp O/S 5¼ 98 Sep	0⅛	99¾	100	19/12	11.18	11.20
Credit Lyonnais 5¼ 98	0⅛	100¾	101	11/10	9.69	9.60
Ireland 5¼ 97	0	100	100¼	28/10	9.69	9.68
Ireland 5¼ 99	0	100¼	100½	16/3	8.94	8.90
Italy, Republic 5 94	0⅛	100	100¼	12/11	8⅞	8.88
Lloyds Bank 5¼ Perp	0¼	100	100¼	9/12	8	7.98
Midland Bank Perp 5	0¼	99⅝	100⅛	19/12	8⅛	8.14
Nat West Perp A 5¼ S	0¼	99¾	100	9/1	8¼	8.26
Nat West Perp B 5¼ S	0¼	99⅞	100⅛	18/2	8.91	8.91
New Zealand 5 97 £	0	99⅞	100⅛	14/11	11.56	11.56
Queensland Coal 5¼ 99	0¼	100¼	100½	12/11	8	8.97
Roy Bk Canada 5 2005	0⅛	99¾	100	7/10	8¼	8.26
Roy Bk Scot 5¼ 2005 £	0	99⅛	99⅜	1/11	11.68	11.78
Sweden Perp 5¼	0¼	100	100¼	5/1	8.31	8.30
Tokai 5¼ 99	0⅛	100⅜	100⅝	12/12	8⅛	8.08

Average price change On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053.64	113	114	+1¼	−0.52
Comcast 7 2000	12/85	23.875	†102¼	103	−1½	20.06
Fanuc 3¼ 98	1/84	7032.3	152⅜	153⅞	−2⅛	20.01
Fuji Hvy Inds 3 2000	8/85	676	100½	101½	+0½	−4.59
Fujitsu 3 99	5/84	1320.9	82¼	83¼	+1¼	13.00
Kumagai Gumi 3½ 2000	3/85	600	105⅛	106⅝	+4¾	−1.13
Marui 3½ 99	7/84	1162	141⅛	142⅛	+7⅞	−0.09
Mitsubishi Elec 2⅝ 00	3/85	422	95	96	+2⅜	−0.00
Murata 3½ 2000	7/84	2388	98⅛	99⅛	0	33.84
Nippon Elec 2¾ 2000	1/85	1295	86½	87¾	+1⅜	27.32
Nippon Oil Co 3 2000	3/85	828	91½	92½	+3	−1.34
Oki Elec Ind 3½ 99	10/84	805	86	87¼	+0½	24.28
Orient Leasing 5¼ 96	6/83	2680	98½	99½	+2	−5.81
Sekisui House 3 99	6/84	612	108¼	109¼	+14	5.79
Sumitomo Bank 2⅛ 2000	3/85	2142	98¼	99¼	+2¼	12.73
Sumitomo Corp 2⅝ 99	5/84	598	132⅝	133⅞	+5⅜	2.97
Taiyo Yuden 3¼ 2000	3/85	1078	†80	82	−2	−0.00
Takeda Riken 3¼ 2000	10/84	7663	†75	80	+1	19.24
Tokyo Sanyo Elec 3½ 99	12/84	772	92½	93½	0	8.36
Toshiba Ceramics 3 2000	4/85	1734.2	79½	81¼	−0⅜	9.08
Nippon Oil Co 2⅛ 92 SF	3/84	1052	†101	101¼	+0⅝	33.93
Nippon Shinpan Co 2 92 SF	3/84	891	†100	100¼	+2⅜	14.28
Asics 5 92 DM	12/83	520	106⅝	107⅞	0	21.89
Sun Realty 6¼ 92 DM	2/83	338	†342	343	+7	−4.31

* No information available-previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date = Date next coupon becomes effective. Spread = Margin above six-month offered rate (†† three month; § above mean rate) for U.S. dollars. C.cpn. = current coupon. Cu. yld = current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

David Lascelles on the attractions of the U.S. securities market

Wall St lures UK merchant banks

THEY look like midgets alongside the giants of Wall Street. But British merchant banks are trying to hack out a share of the world's biggest investment banking market for themselves.

Many of the best known names, like Morgan Grenfell, S. G. Warburg and Kleinwort Benson, have been in New York for years as part of their international expansion, but only on a modest scale. Recently, the revolution in the City of London has given fresh impetus to their U.S. ambitions: they need a place on Wall Street as an adjunct to the securities businesses they are forming in London.

Over the past year or two, the merchant banks have taken a series of steps to strengthen their position in the U.S., not altogether with glowing results. One spectacular disaster was the tiny merchant bank, Henry Ansbacher's acquisition of Laidlaw, Adams and Peck, e Wall Street securities firm where losses almost wiped Ansbacher out and forced a rescue by shareholders earlier this year.

At the other end of the scale, tha UK'a largest merchant bank, Kleinwort Benson, also nearly came a cropper last spring when its newly-acquired dealer in Chicago, formerly ACLI—now Kleinwort Benson Government Securities, was caught with a large trading position with ESM, the fringe dealer which went hust.

Strong influence on world markets

Fortunately Kleinwort's exposure was covered, and the eventual loss turned out in the hundreds of thousands of dollars rather than the hundreds of millions. But the experience brought sweat to Kleinwort's brow, and forced it to overhaul the dealership'a management, as well as its trading and credit policies. According to Mr Mitchell Shivers, an American investment banker brought in to set it right, it is making a profit again. "I do not intend to preside over another ESM," ba said.

The lure of the U.S. securities market is powerful. Aside from providing a big business opportunity in its own right for merchant banks, Wall Street has such a strong influence on other securities markets around the world that foreign dealers need to be plugged into it. Most of the large merchant banks now own stockborkers and jobbers in the UK, and are trying to deploy these skills in the U.S., both to gain access to U.S. investors and to market U.S. investments to their foreign clients.

Kleinwort, which now has some 220 people in the U.S., has been the most ambitious. Aside from spending $27m to acquire ACLI, one of the U.S. 36 primary dealers in the Treasury bond market, it has set up a dealership in American Depositary Receipts (ADRs) (the form in which foreign stocks are traded in the U.S.), and is offering an international investment and advisory aervice in conjunction with Grieveson Grant, the UK stockbroking firm with which it is allied. By next year, it hopes to he also dealing in U.S. stocks too. Meanwhile it has bought an interest rate swap business in California.

S. G. Warburg is following a similar course, though some distance behind. It has just opened a new office on Park Avenue for Rowak, its international dealership with stockbrokers Rowe and Pitman and jobbers Akroyd and Smithers. The group has capital of some $42m in the U.S. and intends to make markets in foreign and U.S. stocks, as well as provide corporate finance services.

Robert Fleming is taking a different tack. In August it took tha bold stap of buying F. Eberstadt and Co, a mediumaized investment bank best known for its institutional brokerage and corporate finance business, and research. At a stroke, this will give Fleming one of the largest UK merchant banking presences in tha U.S., with 200 people and an investment of some $22.5m, complementing its fast-growing investment banking business in London and the Far East.

Entering the U.S. market presents a special problem for UK merchant banks because their hybrid character—half commercial bank and half investment bank—runs foul of the Glass-Steagall Act which says a bank cannot be both et once.

Most merchant banks have opted for the investment banking route, which is considered to be more profitable — if also more risky — and iess hidebound by ragulation. This enables them to engage in underwriting corporate aecurities, considered to be key to a successful corporate finance business. But tha situation is not as inflexible as it might seem.

Schroder has long been represented in New York through its large U.S. commercial banking arm, J. Henry Schroder Trust Company. Earlier this summer, it arranged to reduce its stake in the bank below 25 per cent, which will enable it to become an investment bank instead, giving it much more room for manoeuvre.

Kleinwort, which entered the U.S. as an investment bank even though it has a large commercial banking business, still manages to run a sizeable U.S. commercial loan book by sending in banking representatives from London and booking the business abroad.

Corporate finance and deal-making

But the most striking challenge to the U.S. banking barriers has been launched by County Bank, the merchant bank subsidiary of NetWest, which is registered as a commercial bank but wants to get into the U.S. securities husiness, again to extend the reach of the investment bank which NatWest is forming in London. In August, it filed an application with the Fed to launch a brokerage operation offering a full advisory, research and execution service, reckoning that it had found a way through the law. U.S. banks are following the application closely because it would set a major precedent if approved.

A conspicuous absentee is Barclays de Zoete Wedd, tha investment banking operation being assembled by Barclays Bank. However, de Zoete & Bevan, the stockbroking unit of the group, is shortly to open an office in New York which will form the core of BZW's U.S. business.

But securities do not dominate all the merchant banks' activities. Morgan Grenfell, best known in London for its expertise in corporata finance, has hired a high-powered team of American merger and acquisition specialists, and has gona into deal-making. It has also gained a dominant position in the ERISA funds market, managing overseas investments of U.S. pension funds.

Eventually, though, Morgan expects also to have a securities business in the U.S. which will be managed by two experts on the Wall Street market which it hired from rival UK firms.

Corporate finance, too, is the hallmark of Rothschilds Inc, the jointly-owned U.S. subsidiary of the French and British banks of the same name. The firm bas been hitting the headlines recently by advising both Sir James Goldsmith and Hanson Trust in their hotly contested takeover bids for U.S. companies. Bot Rothschilds Inc does not stress its European parentege. "We think of ourselves as a U.S. investment bank" said Mr Robert Pirie, the chief executive who was formerly with one of New York's top commercial law firms, and insists that Rothschild got both the Goldsmith and Hanson business on merit rather than through reference, (though Hanson is a client of N. M. Rothschild in London).

But busy though merchant bankers are in establishing themselves in the U.S., just how realistic is it for them to expect to make more than a tiny impact on thet huge market?

Many of them admit thet they would never earn thair keep simply trying to break into the domestic U.S. business, or wresting mandates eway from large U.S. corporations and their traditional Wall Street investment banks. Instead, they try to play on special strengths, like their international connections which enabla them to set up cross-border deals.

Seeking out "niches" is another way. "It is very necessary to specialise in the U.S. market," said Mr Ian Saunders of Fleming which is aiming its aervices at small and medium sized U.S. companies with international links. "It helps if you concentrate on areas which are not dominated by the U.S. banks, and where capital is not the key determinant of success."

Bankers also try to measure tha value of their American ventures in broader terms than just the U.S.: as a vital link in their efforts to build up a worldwide securities and corporate finance ability. "It is essential for us to be here full stop," aaid one of them.

This blunt argument may make it easier for banks to justify the uncertain rewards and considerable risks in establishing themselves on Wall Street. But whila they may try to use their wits to make up for whatever they lack in weight (Kleinwort is a fraction of the size of Merrill Lynch), they must be hoping that Ansbacher and ACLI have filled their quota of salutory lessons.

UK COMPANY NEWS

All-round progress lifts Vickers

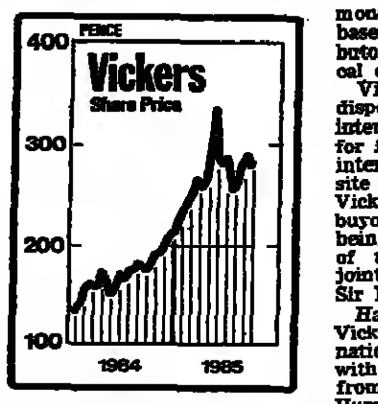
Vickers, the engineer and Rolls-Royce Motors group, has achieved a near-36 per cent increase in interim profits with progress across activities.

At £18.7m pre-tax, the result compares with £13.8m for the corresponding period and exceeds the £17m attained in the second half of last year.

Earnings per share rose from 13.2p to 15.1p and the dividend for the first six month of 1985 is being raised by 25 per cent to 5p.

Overall profit margins were maintained, says Sir Richard Cave, the chairman. Turnover advanced by £21.8m to £292.6m and operating profits improved by nearly £2m to £21.3m—net interest payable was down £1.1m at £3m and associate companies turned in a £0.4m profit against a £1.5m less.

In addition to the all-round improvement, Sir Richard says that forward contracts have provided stability against a fluctuating U.S. dollar.



"The development of our main business continues," he says. In addition, Vickers has also been active on the acquisition front: in May it bought Comforto, an internationally-based designer and manufacturer of office seating products, and earlier this month acquired TECA, a U.S.-based manufacturer and distributor of electro-diagnostic medical equipment.

Vickers has also made some disposals with the sale of its interest in the Millbank Tower for £12.25m, part of its freehold interest in the South Marston site for just over £3m, and BAJ Vickers through a management buyout. Good progress is also being made towards the disposal of the Oyster Lane property, jointly owned with GEC, says Sir Richard.

He has nothing to add on Vicker's claim for increased nationalisation compensation with a decision still awaited from the European Court of Human Rights following a hearing in June.

Retained profits for the first half were considerably higher at £16.9m, against £2.6m, reflecting a £13.4m swing to extraordinary credits of £7.6m—tax amounted to £4.5m (£1.4m).

See Lex

Mr David Plastow, the managing director and chief executive

Central TV dips 9% midway to £2.6m

Central Independent Television, based in Birmingham, blames the high cost of making some programmes for an 8.8 per cent fall in pre-tax profits to £2.57m in the six months to June 30 compared with £2.82m last time.

Sir Gordon Hobday, chairman, says, however, that these programmes will generate overseas revenues in the second half and that the increased costs were partly offset by an allowance for levy.

Turnover was up 6.1 per cent from £68.1m to £72.79m.

Sir Gordon says that, although the advertising market generally was less buoyant than expected, Central's market share and advertising revenue were higher than last time. Programme sales also increased.

Advertising revenue and costs are not uniform throughout the year, he says, therefore results for the first half should not be taken as an indication of the outcome for the year.

In the year ended December 31, 1984, Central recorded pre-tax profits of £10.05m on turnover of £152.2m.

Central, which is quoted on the Unlisted Securities Market, is paying an unchanged interim dividend of 2.5p a share covered twice by earnings of 5.7p (6.7p).

Tax charges were £1.13m (£1.14m), giving attributable profits of £1.44m (£1.68m).

● comment

A television company's interim results depend to a large extent on whether the company has chosen to shunt costs from one half of the year to another, and hence the market's non-reaction to Central's downfall in profits was quite appropriate. For the full year, however, the outcome should be acceptable, and Central may find itself one of the few in its industry to report higher profits. After a first half in which total TV advertising expenditure was shrinking, the second half is already witnessing a strong bounce back. This should particularly suit Central, which by dint of more effective selling of airtime is increasing its market share. Through its subsidiary, Zenith, Central is building a strong stock of programmes for sale overseas. Zenith's first major series, the Last Place on Earth, most of the cost of which has been taken in the first half, has been sold to 20 major networks abroad, which should boost the second half figures. Into 1986 and beyond advertising volumes may start to turn down again, and the threat of the Peacock enquiry into advertising on the BBC looms. Assuming profits this time of £10.5m the shares at 203p seem fairly valued on a p/e of 8, and a yield of 7.3 per cent.

Ramar tops £750,000

THE PROGRESS referred to by Ramar Textiles at the interim stage was maintained through the second six months and enabled the group to lift its pre-tax profits for the 53 weeks to May 31 by £169,000 to £751,000.

Ramar, based at Co. Durham and a manufacturer of ladies' clothing, has a full order book for the Autumn season.

Having achieved their profits forecast the directors are looking for a further improvement this year.

Turnover for the past year totalled £21.02m (£18.56m). Basic earnings amounted to 5.3p (3.94p) and the dividend is being lifted from 1.5p to 1.65p net per 5p share.

Another rights from Humberside

Humberside Electronics, described as a renovator and convertor of machine tools or as a mechanical vulture with an electronic brain, is making a four-for-11 rights issue to raise £589,000 in order to reduce company debt.

The issue is priced at par—10p—and is fully underwritten by Cleves Investments.

Humberside came to the USM in October 1981 by backing into Sumtravelle Estates, a shell company. In November 1983 the company raised £517,000 through a one-for-three rights.

In the year to May, Humberside reported pre-tax profits of £145,000 on a turnover of £863,000. For the current year the company is forecasting profits of at least £300,000

Mr Peter McMaster, company founder and chairman, holds almost all of the 6.5m shares (37.75 per cent of the pre-rights capital) held by directors. The directors intend to subscribe to just under half of their entitlement under the issue.

● comment

It is hard not to be sympathetic to Mr McMaster's plight. It is costing him more to set up his retrofit business than he can earn—so R & D is mainly capitalised and the shareholders are needed (again) even though the shares languish around par level. It is perhaps even a pity that a large plant or engineering concern cannot find the room and the rewards for someone of his undoubted technical skills, but that is not the question today. Should shareholders stay with Humberside and subscribe to the rights this time round? Given that getting out seems unattractive, and not subscribing will see dilution, then the answer has to be yes, however, guarded. Before long though the company will have to become more professional, get the boardroom boys behind the drawing boards they love and let cooler minds run the finances. Blue chip customers are all very well but they all too easily can call the tune on payment terms—sooner rather than later the company must come to see profits and earnings as just as much a priority as a clever piece of competitively priced renovation.

Fraser taps the tourist boom

By John Shepherd

HOUSE OF FRASER has achieved an 86 per cent profits improvement in its traditionally quieter first half with Harrods its prestige store benefitting from this year's tourist boom.

While Harrods contributed more than most of Fraser's stores, Mr Earnest Sharp, a director, said yesterday that there were improvements across the board through cost savings and higher sales volume.

And with the interim taxable result up from £7.43m to £13.85m, he was looking forward to a "good winter season" and was "very confident" of beating last years record profit of £48.16m.

Completion of some store refurbishment bringing selling space back on stream helped the results for the six months to July 27, 1985, he said and added that without Lonrho's "enormous managerial diversion" the company was now able to concentrate on the business.

Profit margins improved from 3 per cent to 4.5 per cent with turnover, excluding VAT, of £441.83m (£384.81m) generating a trading result of £19.8m (11.95m). Interest charges were up from £5.03m to £6.62m.

Retained profits were well up at £6.07m, against £3.92m, even allowing for £2.1m of extraordinary debits relating to the takeover, egm's and various governmental enquiries.

Fraser's refurbishment programme has encompassed stores both in and outside London and, in addition, the company is to open new stores in Aberdeen, Norwich, Ipswich and at the Metro Centre, which is being built in north east of England.

Mr Sharp said he was impressed with the Metro Centre and was not deterred by the north east's unemployment problem. Fraser had the ability to recognise local needs and that the catchment area for the centre would be large, he said.

In addition to Fraser's organic growth, he said that despite the sale of the Debenhams share stake it was still possible to force links. "The opportunities are still present," he said despite the change of Debenhams' ownership to Burton, which is chaired by Mr Ralph Halpern.

Previously identified areas of co-operation between the two companies included store site swops, combining distribution and warehousing activities, and combining Debenhams' Welbeck consumer finance business with the Burton and Fraser charge operations.

THF to acquire hotel in Fife

Trusthouse Forte, Britain's largest hotel and catering group, is to purchase the 50 bedroom Rusacks Marine Hotel, situated near the St Andrews golf course in Fife.

Contracts for the purchase, at an undisclosed price, have been exchanged with the present owners, St Andrews Links Trust and Rusacks Marine Hotel Ltd, and completion is scheduled for October 21.

Mr Rocco Forte, chief executive of THF, said the acquisition was part of the policy of acquiring country inns and hotels at reasonable prices.

Rusacks was "potentially rather a superb hotel," said Mr Forte, "but it might need a bit of money spending on it." This could be in the region of £0.5m to £0.75m.

Newey Group rises by 32%

Newey Group, with interests including the manufacture and distribution of hard haberdashery, increased pre-tax profits by 32 per cent to £687,059 in the six months to June 30 compared with £519,520 last time. Turnover, excluding inter-group sales, was down to £8.81m (£8.38m).

Pre-tax profits were struck after depreciation of £272,559 (£260,390). Tax took £41,955 (£73,078) and minorities £11,934 (£7,564). The company, a subsidiary of Williams Prym-Werke, says the second half outlook is favourable.

Newarthill lower

Although first half figures at Newarthill fell from £12.32m to £10.15m in the six directors expect that for the months to April 30, 1985, the year as a whole they will reach the level of £16.36m of the previous year.

Turnover of this civil engineer and building contractor, which operates under the Sir Robert McAlpine name, rose from £120m to £132m. First half tax was down from £5.69m to £3.69m, and there were extraordinary credits of £13.66m compared with £1.58m.

The extraordinary items represent the realisation of its finance lease portfolio and sales of securities and property.

N. American operations boost MAI to £27.45m

SHARPLY HIGHER contributions from its North American operations enabled Mills & Allen International to lift its 1984-85 pre-tax profits by £7.24m to £27.45m.

Furthermore, trading in the current year has started satisfactorily with good levels of activity in securities' broking and retail insurance broking.

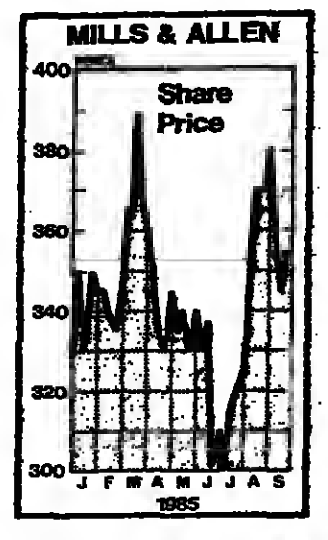
There are also improved order books in both outdoor advertising and market research.

The figures for the past year, to June 30, were in line with the directors' forecast made last June at the time of the £25m rights issue and acquisition of Gintelco, a leading U.S. corporate bond broker.

At year-end MAI'S net assets showed an increase of £22m at £40m.

Turnover for the 12 months surged from £137.17m to £171.58m and generated operating profits of £26.12m, up from £19.74m — the group's financial activities include financial services, money and securities broking.

The share of related companies profits declined from £914,000 to £785,000 but net interest income added £344,000, compared with last year's charge of £448,000.



Tax accounted for £9.99m (£7.02m) and minorities for £335,000 (£79,000). Extraordinary credits rose from £929,000 to £1.57m and basic earnings emerged at 41.6p (32.1p) per 25p share.

Shareholders are to receive the promised 12p final dividend which raises their total by 2p to 16p net on the capital enlarged by the rights issue.

Pre-tax profits by division were split as to money and securities broking £21.69m (£14.98m), insurance broking £947,000 (£950,000), media £3.5m (£2.88m) and market research £768,000 (£571,000)—figures for 1983-84 took in £1.31m of a business since sold.

Geographically, the figures broke down as to UK £9.46m (£8.05m), N America £14.15m (£8.19m), Europe and Middle East £2.37m (£2.53m) and Pacific £925,000 (£589,000).

The group's results benefited from the strength of the U.S. dollar which averaged $1.24 to the pound, compared with an average $1.46 in 1985.

Sir Ian Morrow, the chairman, tells shareholders that money broking and securities' broking companies enjoyed active markets with profits being boosted by the wider range of products and the increasing size of the customer base.

He adds that the extensive reorganisation of the media companies carried out last year is beginning to bear fruit and that retail insurance also continued to expand its product range and customer base.

See Lex

Wimpey profits rise 3% in line with targets

George Wimpey, construction engineer, which is undergoing streamlining and reorganisation, produced pre-tax profits of £6.3m in the six months to June 30, up 3.3 per cent on the £6.1m last time.

Mr Cliff Chetwood, chairman, says that, overall, the result is in line with group targets for the year.

Turnover, which includes an attributable share of associates, was almost static at £657m (£651.1m).

Operating profits, including a share of associates, were up 19.7 per cent to £15.8m (£13.2m), an improvement which, he says, is encouraging.

The main courses of action put in hand to deal with group problems are gradually bringing about a more efficient deployment of resources, he says, and the programme for establishing a firm and profitable base from which to expand is on course.

Sales of Wimpey homes in the UK were up 15 per cent on last time, he says, while legal completions of 4,400 were marginally down.

Earnings a share were 1.6p (1.4p) and the interim dividend is maintained at 0.85p.

Net interest payable was up to £9.5m (£7.1m) and tax took £1.8m (£2.2m).

There was an extraordinary credit of £15.3m (£13.5m), representing profit, less tax, on the sale of shares in the Oldham Estates Company. Attributable profits were £19.8m (£17.4m). Comparisons have been restated to show the sale of Oldham Estates as an extraordinary item.

Negotiations for the sale of properties owned by Ariel International, a property development association in West Germany, are continuing, says Mr Chetwood, with several bids under consideration.

● comment

The fact that Wimpey's shares put on 6p to 121p yesterday does not disguise the fact that the half-time figures were well towards the bottom end of forecasts. Probably the market's reaction was more one of relief at the absence of nasty surprises than delight over the underlying performance, for over the past few years it has grown well accustomed to the former. As usual, however, Wimpey gives little away about what is really going on. On the plus side Wimpey Homes is clearly doing well and looks set to achieve just under 10,000 completions by the end of the year, Wimpey Construction is improving its performance, and Wimpey International is ahead of budget. Meanwhile, however, interest charges have taken a considerable turn for the worse in spite of last year's heavy programme of property disposals, and it is a little galling to find negotiations for the sale of Ariel International still going on when the transaction was anticipated as a post balance sheet event in the annual report. For the full year it would be rash to expect any sudden upsurge in profits at such an early stage in Wimpey's reconstruction: most observers expect £45m at best, putting the shares on a prospective p/e of 11 after a 30 per cent tax charge—a level demanding a considerable act of faith in the short term.

ICI and Cookson in Irish paint deal

Imperial Chemical Industries has acquired control of the Irish paint manufacturing interests of Cookson Group, the metals and industrial chemicals company.

ICI has purchased part of the 56 per cent Cookson holding in Harringtons and Goodlass Wall to give it a stake of around 60 per cent of the Irish company. Option arrangements have been agreed whereby ICI can purchase the remaining shares between 1987 and 1990.

The value of the transaction has not been disclosed, but it is understood that the consideration is "not material in relation to the assets of either Cookson or ICI."

There will be two Cookson directors on the Harringtons board in the period that Cookson retains its holding.

Bentalls surges to £812,000

THE EXPECTED sharp increase in interim profits has materialised at Bentalls, the Kingston upon Thames department stores group.

From a turnover £2.15m higher at £27.8m, excluding VAT, profits at the pre-tax level pushed ahead from a depressed £364,000 to £812,000.

However, roadworks both in Kingston's town centre and outside the group's store there had an adverse effect on turnover.

The roadworks are continuing to affect the Kingston store but the directors are holding talks with the local council and it is hoped that the traffic flow around the town will improve so that shoppers will be attracted back for the peak Christmas trading period.

Shareholders are reminded that the Kingston store generates more than half of the group's retail sales.

The sharp improvement in group profitability was helped by the elimination of the loss at the now closed Chatham store together with a positive cash position during the half year as a result of the sale of the old Ealing store last January.

The interim dividend is being stepped up from 0.35p to 0.4p net from earnings of 1.07p, against 0.58p previously.

Interest added £92,000 this time, compared with charges of £70,000, but tax rose from a restated £119,000 to £365,000 to leave net profits £202,000 ahead at £447,000.

Mr Bentall says he was somewhat disappointed with the half year sales increase of 8.4 per cent as after four months, at the time of the AGM, these were showing an advance of 11 per cent.

F & C PACIFIC *Investment Trust* saw net asset value per share rise to 170.3p at July 31 compared with 156.3p a year earlier. However, the strengthening pound has contributed to a fall from 196p at January 31. In the six months to end-July total revenue fell from £2.74m to £1.72m with net revenue coming out at £751,000 (£1.44m). From earnings of 1.42p (2.71p), the interim payment is 0.6p (1.5p).

How long can they keep it up?

They need to explain away their trading profit record.

The trading profit of United's original activities has still not returned to its 1979 level.

They need to explain away their asset position.

Net tangible assets per share have dwindled to 25% of their 1982 level.

They need to explain away their seemingly incessant share issues.

14.6 million shares in 1981 have increased 5-fold to 73.7 million now.

Given these weighty problems, how long can they keep it up?

FLEET

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Grattan climbs £3.3m and more growth ahead

Grattan, the Bradford-based mail order company, reports a substantial increase from £3.46m to £6.79m in pre-tax profits for the half-year to July 31 1985. Sales during the period increased by 24 per cent from £98.1m to £121.6m, and all trading names have performed well, says Mr John Hann, the chairman.

Although these figures compare with a lower trading base for the spring/summer of 1984 than that experienced in the following autumn/winter, they nevertheless confirm the continuing improvement in the group's sales performance.

The interim dividend is doubled to 2p net—last year's total was 3p from pre-tax profits of £9.65m (£3.51m). Dividends absorb £900,000 (£446,000). Stated earnings per 25p share rose from 7.26p to 11.82p.

Looking ahead, Mr Hann says the Autumn/Winter 1985 catalogues have started well, and sales to date show a healthy increase on last year. With the very important Christmas trading period still to come, it is too early to predict the outcome of the second half. However, it is anticipated that sales and profits for the period will be well ahead of last year.

Group pre-tax profits were after interest charges up from £1.46m to £1.99m. After tax of £1.49m (£234,000) and dividends, profits of £4.4m (£2.78m) were taken to reserves.

• comment

Grattan's buoyant figures were not entirely unexpected in the City. The shares have outperformed the market by more than a tenth in the last month and the group's market capitalisation has tripled in the past year to £141m. In the market's eyes Grattan has accomplished *all the right things* by cutting costs, computerising its systems and meeting the increasing challenge of the high street by launching direct mail order catalogues to complement the *traditional agency activity. Half* of the sales advance of 24 per cent is accounted for by extra volumes with the newer direct catalogues performing especially well and now accounting for a quarter of group sales. The mix of business has vastly improved in that the average price on each item is that much higher and with cost increases held to under 10 per cent operating margins have improved by more than two points to 7.2 per cent. Much depends on the success of the winter catalogues and while initial ordering looks good it is still early days. Nevertheless £15½m pre-tax for the year could be in prospect dropping the earnings multiple to 11.4 at 316p. The best of the relative perform*ance may be over* but the shares remain good value.

AMS and St Ives oversubscribed

The offer for sale of shares in AMS Industries, which designs and makes professional sound processing equipment, has been four times oversubscribed.

Barclays Merchant Bank, which was offering 7.5m shares at 95p, has received applications for a total of 38.1m, and is due to announce the basis of allotment today.

NM Rothschild, which is bringing the St Ives group to market by an offer for sale by tender announced yesterday that the offer had been oversubscribed: the striking price and allotment details will be released today.

The bank is offering 2.3m shares at a minimum price of 290p in St Ives, which claims to be one of the leading colour printers in the UK.

NEWBOLD AND BURTON reports sales of £5.64m (£5.22m) for the six months to June 22, 1985, with taxable profits of £12,000 (£39,000). Tax takes £5,000 (£18,000) and earnings per share are 0.3p (0.5p). The results for the first six months are largely a consequence of a lower level of orders in some companies during the early months, as stated in the last report and accounts.

Electra reduces its stake in Stone Intl. to 5%

Stone International, the systems engineer born out of the Stone Platt failure, yesterday announced share disposals by some of those involved in the 1982 management buy-out.

Electra Investment Trust has sold 2m shares at 160½p, reducing its holding to 1.66m shares or 4.79 per cent of the equity, and Nola Company, a Hong Kong-based trust, held in the names of directors' families, has sold 1.5m shares at the same price, to leave it with 251,000 shares or 0.72 per cent.

In addition, Mr P. McGrath, a director, and his wife, have each sold 200,000 shares, to leave them with a combined holding of 850,000 shares (2.45 per cent), and another director, Mr W. Silvie and his wife have each sold 112,500 shares to leave them with 400,000 shares (1.16 per cent).

Mr Robin Tavener, chief executive, explained that the Stone directors incurred considerable personal borrowings at the time of the 1982 management buy-out. When the company came to the market last November, at 125p per share, they did not sell any of their shares and undertook not to sell any until after the first annual meeting as a quoted company.

Electra, which was one of the original institutional investors in Stone, is the only one to have reduced its stake.

Britannia Security expansion

THE Britannia Security Group has agreed to acquire the ordinary share capital of White Group Electronics together with £200,000 of the company's issued unsecured loan stock.

The vendor, Mr Jeremy White, will be alloted £500,000 and £200,000 worth of Britannia shares, credited as fully paid up, respectively. On completion of the deal Mr White will become a director of Britannia.

White Group designs, sell and maintains sophisticated closed circuit TV (CCTV) electronic and perimeter alarm and access control systems and equipment.

Its customers are national and multi-national businesses both in the public and private sectors.

The acquisition will provide Britannia with coverage throughout the UK in respect of CCTV systems.

At December 1984 White Group had *net assets of £361,000.*

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
A.B. Electronic	6	—	4.5	8	6
Aberdeen Const. ...int.	2.3	—	2.2	—	7.25
Antofagasta ....int.	5	Oct 18	5	—	20
Bentalls ....int.	0.4	Nov 15	0.35	—	2.1
Central ITV‡ ....int.	2.5	Nov 8	2.5	—	10.5
Dowding & Mills	1.75	—	1.5	2.8	2.45
Grattan ....int.	2	Jan 6	1	—	3
Manders ....int.	2.1	Nov 11	2.0	—	7.5
Thomas Marshall ...int.	1.8	Nov 1	1.2	—	2.4
McLaughlin‡ ....int.	2	Nov 8	2	—	7
Micro Business ......int.	0.5	—	0.5¶	—	1.75¶
Mills & Allen	12	Nov 26	10	16	14
Newbold & Burton ..int.	1.54	—	1.54	—	3.08
F & C Pacific Inv Tst int	0.6	—	1.5	—	3.75
Petrocon ....int.	2	Oct 22	1.75	5.25	
Ramar Textiles	1.65	Dec 5	1.5	1.65	1.5
Shorrock‡ ....int.	0.58	Nov 11	—	—	—
Wm. Sindall ....int.	3‖	Dec 6	2	—	10
Stag Furniture ......int.	1.75	Nov 25	1.75	—	2.75
Superdrug ....int.	2	—	1.7	—	4.2
Vickers ....int.	5	Nov 6	4	—	10
Watts, Blake ....int.	1.48	Nov 29	1.37*	—	4.08*
Whatman Reeve ...int.	0.82	—	0.68¶	—	2
George Wimpey ......int.	0.85	Dec 27	0.85	—	3.25
W. W. Group ....int.	1.94	Nov 7	1.84	—	7.94
York Mount ....int.	1	Nov 22	2	—	5

Dividends shown in pence per share except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡USM stock. §Unquoted stock. ¶Adjusted for share sub-division. ‖To reduce disparity.

Profits cut by 50% at Micro Business

Micro Business Systems blames further pressure on margins in *its microcomputer* and terminal division for a drop of over 50 per cent in pre-tax profits to £859,000 in the six months to June 30 against £1.74m last time.

The fall came in spite of a 121 per cent increase in group *turnover* from £15.47m to £34.33m and performances in most divisions at or above target in both turnover and profits.

The group distributes and maintains minicomputers, microcomputers and computer terminals and provides training for their use.

Mr Clive Richards, chairman, said in his annual report in June that the rapidly expanding business microcomputer market had led to severe stock shortages and a tightening of margins in the first half of last year. In the second-half, the strong market continued but, with shortages of stock turned into surplus, profit margins were further eroded.

Now, he says, although gross margins have not improved, the board has taken steps to improve net margins and thereby increase net profit performance.

The second-half, he says, will benefit from the recent relative strengths of the pound and, given normal seasonal demand and no further deterioration in gross margins, the board expects a recovery over the first half.

Meanwhile, the interim dividend is maintained at 0.5p a 5p share covered by earnings a share of 1.45p (3.48p).

Operating profits were up to £2.19m (£2.03m) after depreciation of £2.19m (£913,000). Pre-tax profits were struck after interest charges of £1.33m (£294,000).

Current tax charges were £55,000 (£360,000) and deferred £287,000 (£422,000), leaving attributable profits of £517,000 (£1.06m).

• comment

When a computer company that has debt of about £15m and shareholders' funds of £4m, reports profits slashed in half, it is not surprising if the jobbers reflex reaction is to mark the shares down by over 40 per cent. However, that Micro Business Systems had a fiendish *first half* should not have surprised anyone. Margins on hardware sales (which make up about 70 per cent of turnover) throughout the industry are so low that many distributors of personal computers are by *now operating* at a loss. It is thanks to two factors that Micro Business Systems managed to make a profit at all during the first half. First, financial controls are excellent, and despite a large increase in *turnover, debt is* no higher than at year end, while the company is pulling in debtors faster and taking firm action to cut overheads. Secondly, the remainder of its business software, maintenance, etc., is still very profitable, and becoming more so. It is hard to imagine that margins on sales of personal computers can get any tighter, and Micro Business Systems looks better placed than many to survive the inevitable shakeout. If the company really can pull in £2.5m pre-tax for the full year, the shares are on a p/e of about 12, and down 27p at 50p may have hit the bottom.

ANTOFAGASTA HOLDINGS' turnover fell from £7.26m to £6.2m in the half-year ended June 30 1985. Lower expenses of £3.48m (£4.79m) left operating profits at £2.72m (£2.47m). Associated companies contributed £518,000 (£274,000), interest added £384,000 (£383,000) and other income £82,000 (£72,000). After £371,000 (£468,000) interest payable and an exceptional debit of £273,000 taxable profits were £3.04m (£2.73m). Tax took £506,000 (£582,000). Earnings were 38.7p (32.7p). The interim dividend is maintained at 5p.

CANDOVER INVESTMENTS, an investment company, recorded pre-tax profits of £260,000 for the six months to June 30, compared with £267,000 for the previous 12 months, on total income of £494,000 (£916,000). Earnings per share were 2.34p (3.42p) and net asset value 185.35p compared with 170p at December 31 1984.

WILLIAM SINDALL has increased interim dividend to 3p (2p) to reduce disparity between interim and final. Turnover was £12.77m (£9.6m) and operating profit £321,000 (£316,000). Interest payable was up from £35,000 to £103,000 leaving taxable profits of £218,000 (£281,000). With tax of £13,000 (£8,000) earnings per share came out at 20.5p (27.3p).

Acorn rescue costs halve taxable profits at AB Electronic

THE RESCUE package for Acorn Computer cost AB Electronic Products Group £4.66m in pre-tax profits for the year to June 30, 1985.

Despite turnover advancing by 75 per cent from £69.72m to £122.07m, pre-tax profits fell by £1.6m to £4.03m because of the exceptional charge taken above the line. The charge represents the amount written off the debt due by Acorn and provision for the anticipated losses on the completion of outstanding orders in the present year.

Against that has been set the £2.7m Acorn 10 per cent subordinated unsecured redeemable loan stock which has been valued at part in arriving at the loss provided for in the accounts.

Without the exceptional item, profits would have risen by 54 per cent to £8.7m.

Earnings per share came out at 13.4p basic, against 23.9p, and 13.3p fully diluted (22.9p). Excluding the exceptional charge, net of tax relief, earnings would have been 28.8p (23.9p). The directors are proposing to raise the total payment for the year by 33 per cent to 8p (6p), with a final payment of 6p, against last year's 4.5p.

During the year, exports grew 66 per cent to £13.4m and total foreign sales, including overseas subsidiaries increased by 65 per cent to £30m.

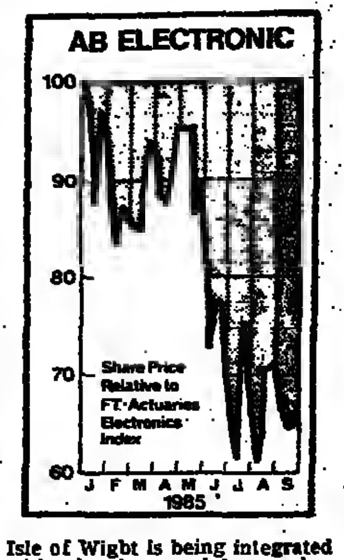
Capital spending rose from £8m to £15m, but is expected to be lower in the present year.

Directors say that exception*ally good performances were* achieved in the subsidiaries concerned with electronic assemblies in Wales, where the group is based, and in microelectronics in Wales and Austria.

They view the future with *much confidence and forecast* profits continuing to be satisfactory. The order book is 50 per cent higher than a this time last year. It is recognised, however, that the present state of the electronics industry throughout the world will create pressure on margins.

A large extension to the German component subsidiary was opened in June, extensions to Page Aerospace Electronics are being completed and it is *planned* to enlarge the Austrian plant, where output nearly doubled in the past year.

The small operation on the Isle of Wight is being integrated with the larger defence electronics business at Camberley, Surrey, which is to be expanded.



• comment

AB Electronics' troubles with Acorn have been well publicised. So while the company is a little shy about what impact *losing* £7.4m from cash flow will have had on the balance sheet at the year end, the more recent payments by Acorn/Olivetti will have patched up some of the damage. More worrying for the longer term has to be the increasing dependence on *IBM*. *Big* Blue is a tough customer, driving margins down and willing to pass as much of any price cuts in the computer market place as it can on to its suppliers. The chairman is warning already that *further pressure on returns* are likely this year and the pre-exceptional profits margin will almost certainly not be held at this year's 7 per cent level—itself more than a full point down on 1983-84. Hence while *sales should continue to rise*—perhaps to £150m for this year—the forecast is for £9m pre-tax. On a 35 per cent tax charge this has the shares at 280p, up 22p, on a prospective multiple of almost 9. This may seem low *for a once highly rated* stock but much more cannot be expected given the IBM concentration.

AGB paying £4.5m for 31% Australian minority

AGB Research is completing the acquisition of the minority 31 per cent interest in McNair Anderson Associates of Australia for A$9.4m (£4.68m).

It is being acquired through AGB's wholly-owned Australian subsidiary and is pursuant to agreements entered into when the original holding was bought in 1980.

AGB is financing the purchase through $2m of cash and around $7.4m through an issue and placing of 1.8m new ordinary *AGB shares.*

The company has given an undertaking to the Australian Foreign Investment Review Board that it will offer 40 per cent of McNair Anderson's shares to Australian residents.

McNair, says AGB, has an excellent growth record and has become an important profits contributor. It made $4.4m in the 1984-85 year and the board also believes that prospects are good, with the greatest potential for *sustained* growth lying in the marketing research area.

In addition to this deal, AGB is placing 0.7m shares to satisfy the deferred consideration of £1.4m for the purchase of the outstanding 40 per cent interest in Langton Information Systems.

The new ordinary to be placed for both deals will not rank for the final dividend in respect of the year to end-April 1985.

UK COMPANY NEWS

Petrocon profits rise 8% as expansion continues

FOLLOWING a further period of expansion and reorganisation in the first half of 1985 Petrocon Group reported taxable earnings up by 8 per cent on turnover 31 per cent higher.

Turnover was £6.63m (£5.06m) with pre-tax profits of £765,000 (£721,000).

An increased interim dividend of 2p (1.75p) has been declared from earnings per 12.5p share of 7.66p (9.21p). Last year there was a total payment of 5.25p on pre-tax profits of £1.83m.

During the period the oil tool rental division made further progress with the opening of a new base in Bergen, Norway, and the formation of a joint venture with Enterra Corporation of the U.S. to rent and service a range of blow-out preventers in Europe.

In February a 51 per cent interest in United Testing Services was ecquired and the company renamed Petrocon Production Services. The company's production testing and wireline services are to be expanded, the capital coming from Petrocon, with the result thet the group will increase itse interest to 89.5 per cent.

The company suffered a loss in the first half, which is expected to be eliminated by the year-end.

A subsidiary bas been established, Petrocoi Well Services, in which the group has a 79 per cent interest. It is expected to be generating revnue from its coiled tubing and well stimulation services before tha end of the year.

In April Petrocon ODS was sold to Chadburn Engineering, resulting in an extraordinary credit of £270,000. Its activities in the supply of drilling equipmant no longer fitted with the group's development strategy in high technology well servicing.

Petrocon Flotec started the year particularly well, say directors, and benefited from the increased investment being made in the North Sea.

Petrocon Steel Services has improved output end profits despite e disruptive extension to its workshops.

In Africa the associate Wasco opened a base in Mombasa, Kenya and in South East Asia the Swire Petrocon associate contributed a small profit desplte rontinuing market difficulties.

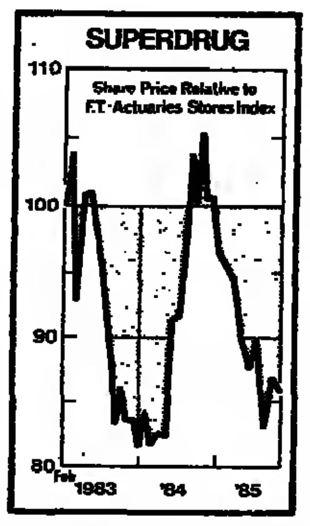
Group operating profits came out at £671,000 (£582,000) with the share of associeted's profits of £94,000 (£128,000). With tax taking £290,000 (£158,000) minorities £4,000 (nil) and the extraordinary item, attributable profits came out at £741,000 (£552,000).

Dividends absorbed £124,000 (£115,000).

● comment

Petrocon's lack of dependence on the construction side of the oil industry has enabled it to buck the gloomy trend prevailing in the rest of the oil services sector. This may not be immadiately apparent from its meagre 8 per cent sdvance in pre-tax profits, but yesterday's figures reflect the group's costly metamorphosis from the industrial bolding company of three years ago into today's supplier of highly specialist technical services to the oil industry. The full year figure is unlikely to show much advance on last year's in spite of the underlying profits growth. The company is spending £5m on expansion this year — some £3m on setting up Petrocon Well Services—and some of this investment is going to take time to show through. Meanwhile borrowings will be pushed np to £2m with a ronsequent interest charge, and the full year will include only a small contribution from ODS. With £1.8m in prospect, the shares, np 2p at 155p yesterday, are on a prospective p/e ratio of less than 8 after e 33 per cent tax charge—cheap given the underlying growth and next year'e likely profits upsurge.

Superdrug advances 27% to £4.66m



Superdrug Stores, the retail drugstore operator, bas notched up a 27 per cent rise in interim profits, underlining the chairman's optimism expressed in his last annual statement.

Turnover in the six months to August 31 1985 rose from £58.76m to £75.01m and pre-tax profits increased to £4.77m against £3.66m. The interim dividend is np from 1.7p to 2p per share.

The result benefited from a £143,00 rise to £38,000 in interest receivable, although a large slice of this was lost through an exceptional £104,000 debit this time mainly due to non-productive lsbour rosts.

Tax was £1.82m (£691,000) leaving net attributable profits of £2.84m (£2.97m). Earnings per sbare on the estimated tax charge were 8.11p (8.49p) and fullv tax earnings per share were 7.55p (5.59p).

● comment

Superdrug rontinues to roll out impressive figures. Volume growth from existing stores came out at 9.2 per cent in the six months with physical expansion adding a further 13.5 per cent. Another £1m on the pre-tax line was just what the market wanted to see. Profits growth in the second half could be down to 10 per cent, however, as the costs of taking on the second warehouse in Wakefield bites into the p and l eccount. Second half interest costs (to date capitalised) will offset the first's interest receivable and the depreciation charge will, of course, rise. Assuming profits of £10m pre-tax, end a higher tax charge of 39 per cent, the prospective p/e at 438p romes out at 25. That is sustainable because of the market's high expectations for 1986-87 which should drop the multiple into the 'teens.

Whatman Reeve on target to achieve planned growth

Whatman Reeve Angel rontinued to progress during the first six months of 1985, recording rises of £2.18m in turnover and £461,000 in pre-tax profits.

The progress was achieved in the face of some weakening in the U.S. economy and the directors ronsider that the growth planned for the year should be realised. They add that the outlook for the longer term continues to be promising.

For the half year the group, a manufacturer and marketer of lsboratory snpplies, raised its turnover from £14.82m to £17m and its profits before tax from £2.2m to £2.67m. The interim dividend is being stepped up from an adjusted 0.68p to 0.82p.

Earnings per 5p share increased from an adjusted 5.12p to 6.51p. The improvement bere was mainly due to a rednction in the rate of UK corporation tax, but also in part to the purchase by the group of some oi its own shares in July 1984 and the benefit of setting off tax losses brought forward against profits now being earned in Singapore.

The Balston division increased its sales by 11 per cent while those of Whatman International advanced by 16 per cent.

The growth in group sales in North America slowed down in response to changes in the U.S. eronomy.

Both divisions achieved a "very satisfsctory" rate of growth in the Far East.

The Balston division continned its orogramme of expansion both in terms of geographical distribution and new product introduction.

Thos. Marshall recovery continues

Thomas Marshall (Loxley), menufacturer of fireclay refractories, continued its recovery by more than doubling pre-tax profits to £544,000 in the six months to June 30, 1985, against £256,000 last time.

The group, based in Sheffield, says the recovery resulted from better earnings from exports, improved contribntions from its Canadian and U.S. subsidiaries and its loss elimination programme.

Turoover rose to £8.75m (£7.12m) and operating profits to £714,000 (£379,000). Interest payable was £170,000 (£123,000) and the estimated tax charge £190,000 (£26,000). There were no extraordinsry items (£113,000), leaving attributable profits of £354,000 (£117,000).

The interim dividend is raised 0.6p to 1.8p covered by earnings of 6.31p (4.06p) a sbare.

Now, the group says, it looks forward to completing a year of solid progress.

Marshall Corrosion Control of the U.S. moved into profit after big losses and Cokeless Cupolas a loss-making subsidiary, has been disposed of.

Marshall Refractories continues to be hit by the structural changes in the steel industry at home and abroad and by inadequate prices. Otherwise, all home-based companies have good order books and are operating near capacity.

Platignum progress upheld

Platignum, the manufecturer of pens and plastic mondings, made a further recovery in profits in the six months to end-July 1985 and the board remains confident of maintaining steady progress.

All of Platignum's divisions traded profitably and, together with e £43,000 cut to £75,000 in interest paysble, produced an overall taxable profit of £78,000 compared with s near breakeven £3,000 last time.

Turoover sdvanced from £4.08m to £5.56m and earnings per share improved from 0.006p to 0.156p—there was again no tax and there are still no dividend payments. Disrounting of s property loan brongbt about an extraordinary item of £119,000, bnt this will not be taken account of until the year-end.

There was s first-time contrihution from John Barr but, as last year, no profit from the associate company, D. Leonardt, has been included.

The writing instrument division continued recovery even though some production difficulties are still being experienced with the new pen ranges.

SECURITY EXCHANGE say 2,347,550 new ordinery shares have been subscribed for in response to the offer of August 29. The minimum subscription has been exceeded and the offer will remain open.

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Aberdeen Construction hit by overall contracting loss

Aberdeen Construction Group has suffered a fall from £1.71m to £1.45m in first half taxable profits despite a £249,000 rise to £713,000 in interest receivable.

There was an overall loss on contracting due to losses incurred in civil engineering and building contracts occasloned by a combination of very keen pricing and far from favourable weather, the directors state.

However, they anticipate that these activities will be profitable for the year as a whole and group profits overall will roughly match last year's £4.86m. Elsewbere during the six months to end-June, 1985, the contract and extractive activities produced satisfactory results and other operations contributed to an increase in profits.

First half earnings dipped from 5.65p to 5.1p per share—tax was down by £170,000 to £600,000—but the interim dividend is being raised by 0.1p to 2.3p.

Shorrock ahead of forecast

Shorrock, the electronic security specialist which came to the USM six months ago is paying an interim dividend of 0.58p per share, a 16 per cent increase or the prospectus indication.

Taxable profits for the half-year to June 30, 1985, rose £645,000 compared with £560,000 on turnover of £7.5m against £5.5m. Earnings per share were 2.0p (1.6p).

Dr Stanley Shorrock, chairman, says that the second half, traditionally Shorrock's strong selling period, is expected to sbow the same trading pattero as in previous years. This will enable the rompany to sbow growth in taxable profits for the year compared with £1.62m (before exceptional item) recorded last year.

The chairman says the current order book is strong, approaching £6.5m compared with around £3m when the company was flosted.

Watts Blake profit up in difficult half year

HIGHER interest rates and the depressed state of the building industry, sccentuated by severe weather conditions both at home and on the Continent, adversely affected the volume of trading and production costs at Watts, Blake, Bearne & Company, producer of ball and china clays, in the first six months of 1985.

On turnover down from £14.92m to £14.1m, pre-tax profits on ordinary activities improved from £2.02m to £2.13m, struck after depreciation of £1.07m (£1.06m) and interest charges up from £10,000 to £30,000.

The interim dividend is raised from an adjusted 1.375p to 1.475p, and this absorbs £294,000 against £274,000.

The company, which operates in Devon and West Germany, experienced a difficult first half, says Mr C. D. Pike, the chairman, but progress was made in its overall efficiency.

Of the total exteroal sales, £10.26m came from exports and overseas trading.

In August, English China Clays said it bad purchased 450,000 ordinary shares in Watts, Blake to take its total holding to 4,158,121 (20.88 per cent). ECC intended to maintain its investment at around a 20 per cent level.

Dowding & Mills rises to £3.5m

Dowding & Mills, the electrical and mechanical engineer, bas increased full year profits from £2.61m to £3.52m pre-tax on turnover up from £21.31m to £25.04m.

The totel dividend is being raised from 2.45p per share to 2.8p with a proposed final payment of 1.75p (1.5p) per share; e one-for-one scrip issue is also proposed.

After tax of £1.48m (£889,000) the net sttributable profit was £2.04m (£1.72m) for the year to June 30 1985.

The cbairman says the current year has started satisfactorily and provided this trend continnes, results for the first balf of 1985-86 will again be ahead of the same period last year.

McLaughlin ahead

Improved margins are reflected in the interim results from McLaughlin and Harvey, the Belfast-based builder and civil engineer.

Turnover for the six months to June 30 was £28.05m (£23.46m) but pre-tax profits improved from £583,000 to £704,000. Tax takes £221,000 (£161,000) leaving earnings per sbare of 11.9p (10.4p) for the unchanged 2p interim dividend—the shares are traded on the USM.

Desplte competitive market conditions the board is "reasonably confident" for the year as a whole. There is e marked improvement in the leval of enquiries, particularly in the London area wbere margins showed a slight improvement.

UK COMPANY NEWS

David Goodhart takes a look at Evered's interest in TI

Waiting for the Abdullah approach

THE Abdullah brothers' intensive lobbying of City institutions in recent weks was persuasively underpinned on Monday by Evered Holdings' more than doubled interim profits.

But Mr Raschid and Mr Osman Abdullah, respectively chairman and chief executive of Evered, still have an uphill task in making their apparently incredible bid for engineering group TI appear credible to potential backers.

The figures speak for themselves. Evered, the Surrey-based group, employs 2,800 people, last year turned over £63.4m and has a market capitalisation of £85m. TI, the Raleigh bikes and Creda cookers group, employs 29,000 people, last year recorded a turnover of £971.2m and has a market capitalisation of £229m.

The brothers are continuing to keep everyone insuspense about the timing of any bid. Speculation stretches from n few days to three months.

Meanwhile, delay is at least allowing some more of the speculative froth to come off the TI sharep rice—pushed up in the course of Evered's rether incompetent acquisition of its 20.1 per cent *stake*.

Arab families—in particular the Zahid family—now own about 20 per cent of Evered. But Robert Fleming, its financial adviser, discourages speculation that Arab money will play any significant part in the bid when (if) it is made.

Despite thei rnames, Raschid and Osman are authentic sons of *the suburban home counties*. In 1971 they set up their own roofl ing business—sold in 1976.

It had, says Raschid, provided them with invaluable lessons which still mark their management style. "It was very much a financial operation, we owned very little nlant and equipment. We even hired the ladders."

In 1981, when the brothers *took orer Evered at the head* of a 30 per cent Arah stake the company, had lost money in six of the previous eight years. But with the low point of the recession just passed the timing was good.

The turnover *was* £9m in 1981 when the company lost £318,000. By the year-end December 31, 1984 turnover was £63.4m and pre-tax nrofits £3.44m — with nearly £7m expected this year.

As with some other market-favoured smallish engineering companies — such as F. H. Tomkins — the growth has been driven by rights issues and acquisitions.

First acquisition was Hawkins and Tipson, the rope products firm, bought for £3.8m in 1983, preceded by a £730,000 rights issue at the end of November 1982.

The next, and *higgest step,* was the successful hattle for ailing West Midlands engineering company, Brockhouse. The company had lost £4.2m in the previous three years but still cost Evered over £10m.

Raschid and Osman, the brothers keeping everybody in suspence.

The Ahdullah's had prepared themselves with a £5.3m rights issue. They topped that earlier *this year with n* £25m rights issue which most commentators assumed would he used to finance another Brockhouse-type deal but which has instead been used to buy TI shares.

The methods and rhetoric of this expansive industrial holding company are familiar and simple enough.

They have a tiny head office *staffed* by nnly *six* or seven people from which they practice their cost-cutting/decentralising management philosophy.

Osman, who sets the targets and budgets and does most of the *talking on management* issues, says: "The essence of our approach is that we like to strip everything back to commonsense. We make sure that the right man is at the top and get to work on remotivating—in a lot of companies people have just lost confidence in making money."

'The essence of our approach is that we like to strip everything back to commonsense. . . . We make sure the right man is at the top and get to work on remotivating'

The pattern after a take-over has been: central administration is slimmed down, companies and properties are sold off and the *remaining units* are turned into profit centres.

"We give a guy his head and make him accountable," says Osman. The financial communication is constant: every afterooon telexes flood into Guildford with cash In/cash out data; every week the MD's send in general business reports and every month maangement accounts. The 15-month rolling budgets are also updated every three months.

The contention of TI and its *financial advisor*, S. G. Warburg, is that the seemingly dramatic turnarounds of recent years are not the result of management skill so much as *financial* manipulation—with the sale of assets, heavy write-downs of stocks (and fixed assets) and interest savings from rights issues.

Consequently, the argumenl runs, underlying profit has heen minimal and growth will trail off unless Evered stays on the take-over-spiral.

One piece of evidence is the serious qualification of the Brockhouse accounts for the 15 months to December 31 1984. Anditors Ernsl and Whinney in effect said they could not make a judgment on the *losses* and profit over that period—because they could not discover how much of the write-downs related to earlier periods.

As a loss of £5.5m in the first eight months was lurned into a *profit of £2.25m* in the seven months after Evered took over, that appears a problem for the company's image.

TI also points out that, in the *seven months between the publi*cation of the last independent Brockhouse accounts and the company's appearance as an Evered subsidiary, the acquisition's net assets were reduced by £10m.

The Abdnllahs calmy acknowledges it made substantial write-downs and points out how much revaluation was seriously overdue. "There were produce ranges they had closed down that they still had at full value in the books," says Osman.

On the qualification: Ernst and Whinney were involved in the *Brockhnuse take-over* and did not subsequently qualify the Evered accounts—despite the fact that two-thirds of the profit came from Brockhouse. It is therefore clearly not material says Osman.

The brothers say Brockhouse is a case stury of Abdullah revitalisation. They describe how several of the companies—such as Brockhouse Maxwell Bus Transmission—were stripped back to basics, shorn of expensive buying departments, and in the last mentioned case given new leadership hy Mr Keith Hawes, a single-minded senior engineer and just the sort of "nuts and bolts" man they like.

There is little doubt that the TI/Warburg campaign has hurt *a little. "It has certainly sown a* few seeds nf doubt but it is also noticeable that TI have not been defending themselves with their own record," said one analyst.

Evered's earnings per share have consistently improved and *the market has shown it* is quite happy with acquisitinn-led growth by small industrial holding companies. TI/Warburg, meanwhile, complains nbout the short-time borizons of the institutions.

The mor esubstantial worry is whether the experience of managing n company the size of Evered—with only three full-time directors — equips the hrothers to provide new impetus to the struggling TI.

Warburgh rather loftily (and perhaps inadvisedly) points up the contrast through the fact that while only one Evered employee earns more than £30,000 a year, more than 50 TI managers are in thal bracket.

The Abdullahs reply that, apart from Raleigh, most of TI consists of relatively small units tailor-made for their approach. But it is the bigger units that hav8 been TI's beadache.

TI continues to underperform but *a start has* been *made in* shaking it up and decentralisation is already quite advanced. The Abdullah claim that they *would* decentralise more and "free up" middle management is a little vague. Hanson Trust, although an avowed Abdullah model, would never have aimed so high at a comparable stage in its development.

New products help Stag Furniture advance 16%

FOLLOWING the problems and closnre costs of last year, Stag Furniture Holdings has seen an improved start to the present year.

Mr P. V. Radford, chairman, says the first four months were difficult with the groun working well below capacity. But following an enthusiastic reception for new nrodncts launched at the London Furniture Sbow there is now a full order book and taxable earnings for the first balf of 1985 showed an increase nf 16 per cent.

Turnover was down by 22 ner cent from £19.57m to £15.36m, largely reflectiog the closure of the loss-making Yatton factory, *for which provision was made* io last year's accounts. Pre-tax prnfit rose from £361,000 to £420,000.

From earnings per share of 3.8p (1p) an unchanged interim payment of 1.75p has been declared. Last year a total of 2.75o was paid on pre-tax profits of £607,000.

The property plant and stock nt Yatton were realised in excess of book values and this will be reflected in the full-year accounts.

Mr Radford says that the reorganisation referred to in the annual report is almost complete. He adds that the group is in a strong financial position and the second half started satisfactory.

With nn tax charge for the period, against last year's £153,000, the net profits figure is more than doubled at £420,000 *(£206,000). Dividends* took n total unchanged £264,000, leaving the amount transferred to reserves at £156,000, compared with £56,000 coming from reserves last time.

Manders rises to £2.04m

Pre-tax profits of **Manders** (Hnldings) are higher at £2.04m, compared with £2.01m, in the first six months of 1985.

Profits in the UK paint and *printing ink division shnwed* a decline from £817,000 to £728,000, but this is offset by the overseas printing ink side up from £56,000 tn £225,000; and a higher property contribution of £904,000 (£880,000). Finance earnings were £181,000 (£252,000).

The tax charge is £880,000 (£940,000) leaving earnings per share of 7.6p (7.3p). The interim is 2.1p per share (2p).

The directors say that in the decorative division a rapid increase in the cost of raw material for decorative paint was accompanied by intense competition *for volume, demon*starting the excess capacity existing in that industry at present.

The industrial activities of Blundell Permoglaze acquired towards the end of 1984 have been merged into the activities of the industrial division and they contributed some £2m to the first half turnover and about £100,000 of profit.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering *dividends*. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Centreway Trust, Clyde Petroleum, Eucalyptus Pulp Mills, Foseco Minsep, Johnsen and Jorgensen *Packaging*, *Liberty*, *Lorin Electronics*, Monument Oil and Gas, Nimslo International, Southampton Isle of Wight and South of England Royal Mail Steam Packet, Sunlight Service, Waverley Cameron, Wordplex Information Systems

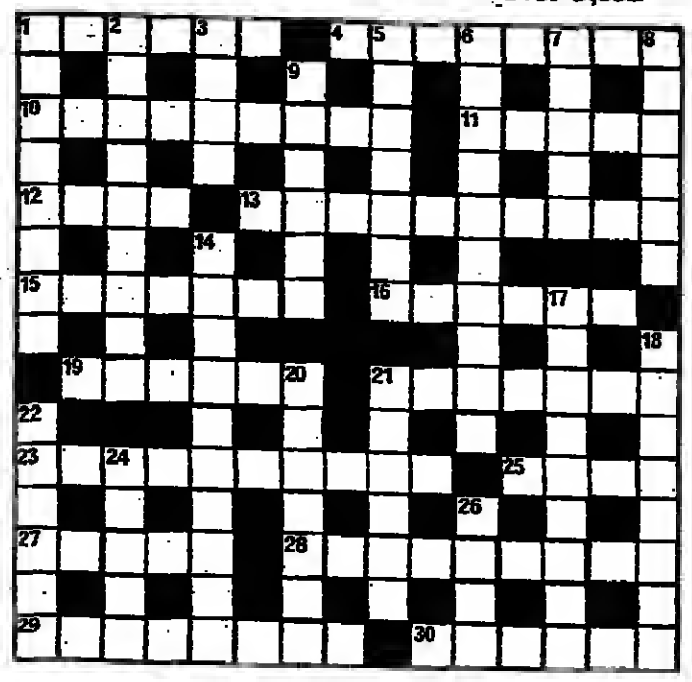
Finals: Checkpoint Europe, Courtney Pope, Elders IXL, London Securities.

FUTURE DATES

Interims—		
Charterhouse Petroleum	Oct	3
Dencora	Oct	4
Greenbank Industrial	Oct	3
Hewden-Stuart Plant	Oct	2
Kwik-Fit (Tyres and Exhausts)	Oct	1
Newman Industries	Oct	3
Prince of Wales Hotels	†Oct	2
Reed (Austin)	Oct	2
Finals—		
A & G Security Electronics	Sept	30
Adwest	Sept	30
Galliford	Oct	3
Marler Estates	Oct	4
Martonair International	Oct	31
Throgmorton Secured Growth Trust	Oct	2

† Amended.

F.T. CROSSWORD PUZZLE No. 5,832



ACROSS

1 Rabies controlled in this country (6)
4 A police-chief a drug-taker? (4-4)
10 Papers indeed down — (9)
11 — second conglomerate to go downhill (5)
12 Run to slip (4)
13 Cheer pilot with licence in this aircraft (10)
15 Archie Bridge, we hear, is of Roman extraction (7)
16 Ribald in our planetary way (6)
19 These days, money-changing is very slow in bars (6)
21 Diet prescribed for most of the soldiers (7)
23 Tender name? It could be! (10)
25 Some impasto art in the portico (4)
27 Cheeky drops in such rents (5)
28 Miser fell at Welsh town (9)
29 Take fresh stock for rating? (8)
30 Tiger-cat to damage camp (6)

DOWN

1 Directions given with case of calming medicine (8)
2 MP in drear row — wigging results (9)
3 I would take them to be contracted with the same outcome (4)
5 Opium-derivative the convention in east (7)
6 Put damper on record that puts years on us (10)
7 Break out of a prisoner uptown (5)
8 Acquit but banish overseas (6)
9 Wantonly set cap with such an air? (6)
14 Shades of having celebrated with girls (3-7)
17 Damaged man's right tendon (9)
18 Child has hard lines fighting men on foot (8)
20 SOS — I'm so distressed in gradual assimilation of ideas (7)
21 Impressionist — with regard to his gloomy following (6)
22 Court card? (6)
24 Glass article produced in Cambridge, for instance (5)
26 His earthwork consists of endless refuse (4)

Solution to Puzzle No. 5,831

Contracts and Tenders

Company Notices

TO THE HOLDERS OF KYOTARU CO LTD
US$30,000,000 3½ per cent
Convertible Bonds 1995

NOTICE OF PUBLIC OFFERING OF SHARES AND ADJUSTMENT OF CONVERSION PRICE

We, Kyotaru Co., Ltd. hereby notify that as a result of the issuance on 29th September, 1985 (Japan time) of its 2,000,000 new shares for the public offering at the issue price per share of Yen 1,409.00 which was determined on 18th September (Japan time), and because of such issue price being less than the "current market price per share" as of 10th September, 1985 (Japan time) of Yen 1,537.30 which was the average of the daily closing prices of shares of common stock of Kyotaru Co., Ltd. on the Tokyo Stock Exchange for the 30 consecutive trading days commencing on 10th July, 1985 and ending on 26th August, 1985 (Japan time) (as provided in Clause 7, Paragraph (B) (VIII) of the Trust Deed dated as of 5th July, 1985) the conversion price for the Bonds of Yen 1,750 per share in effect prior to the issuance of the new shares shall be decreased according to the calculation based on the number of total shares outstanding on 29th September, 1985 (Japan time) pursuant to Clause 7, Paragraph (H) (VI) of the Trust Deed. The new conversion price shall become effective on 29th September, 1985 (Japan time).

Hiroshi Tanaka
President and Representative Director
KYOTARU CO., LTD.

C. ITOH & CO. LIMITED

ANNOUNCE THE FOLLOWING:—

It has been determined at a board meeting that the interim dividend for the year ending 31st March, 1986 shall be paid to shareholders of final record as of 30th September, 1985 and that the amount and time of payment thereof shall be decided at a board meeting to be held mid-November, 1985.

HAMBROS BANK LIMITED
27th September, 1985

Legal Notices

IN THE MATTER OF
JESTER TOYS & GAMES LIMITED
AND
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 31st day of October, 1985, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned PATRICK WALTER JOHN HARTIGAN of 1 WARDROBE PLACE, CARTER LANE, LONDON EC4V 5AJ the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 19th day of September, 1985.
P. W. J. HARTIGAN (FCCA), Liquidator

Personal

Clubs

Art Galleries

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Pearl Trust Managers Ltd. (a)(g)

252, High Holborn, WC1V 7EB. 01-405 8441

TSB Unit Trusts (b) (c) (y)

PO Box 3, Keens Hse, Andover, Hants, SP10 1PG

Perpetual Unit Trust Mngmt. (a)

48, Hart Street, Henley on Thames. 0491 576868

Prolific Unit Trusts

222, Bishopsgate, EC2 01-247 7544/7

3i & Target Fund Mgrs Ltd

Target House, Gatehouse Road, Aylesbury, Bucks Aylesbury (0296) 5941

Providence Capital Fd. Mgrs. Ltd.

30 Uxbridge Road, London, W12 8PG. 01-749 9111

Target Trust Mngrs. Ltd. (a)(y)

Target Hse, Gatehse, Rd, Aylesbury Bks (0296) 5941

Prudential Unit Trust Mngrs Ltd. (a) (b) (c)

51-59 Ilford Hill, Ilford, Essex, IG1 2DL 01-478 3377

Quilter Management Co. Ltd.

31-45 Gresham Street, EC2 01-600 4177

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

Scottish Life Investments
19 St Andrew Square, Edinburgh 031-225 2211

Property	106.0	111.6	
UK Equity	127.1	133.9	-0.1
American	117.3	123.6	-2.1
Pacific	98.4	103.7	+2.0
European	128.6	135.4	+1.5
International	111.9	117.8	+0.3
Fixed Interest	106.4	112.1	+0.4
Index Linked	102.4	107.9	-0.3
Deposit	104.7	110.3	
Managed	112.0	118.0	+0.3
Pens. Property	110.9	116.8	
Pens. UK Equity	133.7	140.9	-0.1
Pens. American	121.0	127.4	-2.0
Pens. Pacific	100.4	105.7	+1.8
Pens. European	134.8	140.9	+1.7
Pens International	116.1	122.4	+0.3
Pens. Fixed Int	111.0	117.0	+0.4
Pens. Index Linked	105.5	111.2	-0.3
Pens. Deposit	111.6	117.6	
Pens. Managed	116.7	122.9	+0.3

Scottish Mutual Assurance Society
109 St Vincent St, Glasgow. 041-248 6321

Flex End Sep 17	624.1	643.4
Pen Mngd Jan 28	406.4	419.0

Scottish Mutual Investments
109 St Vincent St, Glasgow. 041-248 6321

Safety Fund	99.6	100.9	-0.3
Growth Fund	96.9	102.0	+0.3
Opportunity Fund	97.6	103.0	+0.3
Cash Fund	97.1	102.3	
European Fund	105.8	111.4	+1.9
Gilts & Fxd Int Fund	102.4	107.8	+0.5
Index-Linked Fund	97.6	102.8	
International Fund	93.4	98.4	+1.3
North American Fund	79.8	84.0	-1.1
Pacific Fund	98.8	104.1	+3.7
Property Fund	97.1	102.3	
UK Equity Fund	94.6	99.6	+0.3
UK Smaller Cos. Fund	99.8	105.1	+0.2

Scottish Provident Institution
6 St Andrews Sq, Edinburgh. 031-556 9181

Mixed	116.0	122.2	
Equity	125.4	132.1	-0.6
International	115.0	121.2	+0.5
Property	113.6	119.6	
Fixed Interest	109.0	114.9	+0.5
Index-Linked	100.7	106.1	-0.2
Cash	106.4	112.1	

Sun Life Unit Assurance Ltd.
St James Barton Bristol BS99 7SL 0272 426911

Managed Acc	318.4	335.2	+0.3
Property Acc	198.7	209.2	
Equity Acc	445.5	469.0	
Fixed Interest Acc	191.1	201.4	+0.9
Index-Linked Acc	106.5	112.2	
Cash Acc	169.2	178.2	+0.1
American Equity Acc	160.8	169.3	-1.7
U S Bonds Acc	100.1	105.4	+0.1
Japan Acc	113.9	119.9	+0.6
Pacific Acc	98.8	104.0	-0.2
Far Eastern Acc	226.7	238.7	+0.3
International Acc	226.5	238.5	+1.1
U S Dollar Acc	95.0	100.0	+0.4
Yen Acc	97.4	102.6	+2.0
European Currency Acc	97.1	102.3	+0.8
Distribution	146.3	154.0	-0.3	9.79

Sun Life Pensions Management Ltd

Pens. Managed Acc	320.2	337.1	+0.6
Pens. Property Acc	164.7	173.4	
Pens. Equity Acc	418.0	440.0	
Pens. F. Interest Acc	181.2	190.8	+0.9
Pens. Ind Lnkd. Acc	107.8	113.5	
Pens. Cash Acc	174.2	183.4	
Pens. Amer Equity Acc	129.6	136.5	-1.5
Pens. U.S. Bonds Acc	113.5	119.5	-0.5
Pens. Japan Acc	116.3	122.5	+0.8
Pens. Pacific Acc	119.7	126.1	-0.2
Pens. Far Eastern Acc	352.3	370.9	+2.1
Pens. Internat. Acc	293.6	309.1	+2.5
Pens. U.S. Dollar Acc	100.2	105.5	-0.4
Pens. Yen Acc	101.2	106.6	+1.0
Pens. Euro Curr. Acc	98.3	103.5	+1.5

Swiss Life Pensions Ltd
99-101 London Rd, Sevenoaks. 0732-450161

Equity	£182.71	187.39
Fixed Int.	£137.42	138.11
Index Linked	£111.49	112.05
Property	£158.83	163.74
Cash	£122.94	122.90
Mixed	£168.29	173.40
International	£125.65	129.53

Next sub day Oct 1.

TSB Life Ltd
PO Box 3, Keens Hse, Andover SP10 1PG 0264 62188

Managed Fund	121.4	128.0	+0.1
Property Fund	110.2	116.1	-0.1
Fixed Int Fund	118.2	124.5	+0.5
Money Fund	109.8	115.7	
Equity Fund	141.3	148.9	-0.5

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund 844 | $17.04 | -0.05

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd | $13.11
Inv Adv M & G. Inv. Mngt. Ltd., London.

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech | $7.77
Dynamic Gwth Ltd | $8.71

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB 01-588 1815				
Deposit	11.40			3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST 01-236 0952				
Call Fnd	11.51	8.62	12.79	Mth
7 day Fnd	11.40	8.52	12.64	Mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE 01-236 1425				
Call Fnd	11.51	8.68	12.78	6-Mth
7 day Fund	11.41	8.55	12.50	6-Mth
Gilts	6.75			6-Mth
Money Mkt Acc	11.00	8.25	11.27	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq. Edinburgh, EH2 4DF 031-225 8484				
Full Service Chq Acc	11.25	8.00	11.93	Qtr
Aitken Hume 30 City Road, EC1Y 2AY 01-638 6070				
Treasury Acc	11.25	8.41	12.58	Qtr
Gth Int Fnd	11.125	8.33	12.56	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	11.00	8.22	12.18	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	11.0	8.25	12.33	Qtr
Britannia Investment Services Ltd. 29 Finsbury Circus, EC2M 5QL. 01-588 2777				
Cater Allen	11.13	8.35	12.34	Mth
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH. 01 248 3999				
Sterling	11.13	8.23	12.34	Mth
U S Dollar	7.25	7.25	7.50	Mth
German Marks	4.25	4.25	4.33	Mth
Sw. Franc	1.50	1.50	1.51	Mth
Japanese Yen	5.00	5.00	5.12	Mth
Citibank Savings St Martins Hse, Hammersmith Grove 01-748 9251				
Money Market Plus		9.57	14.38	Mth
Co-operative Bank Cheque & Save 78-80 Cornhill EC3 01-626 6543.				
£500-£2,500	9.50	7.10	10.41	Qtr
£2,500 +	12.00	8.97	13.26	Qtr
Darlington & Co Ltd Darlington, Totnes, Devon TQ9 6JE. 0803 862271				
Money Mkt Acc	11.00	8.22	12.27	Qtr
Edward Manson & Co Ltd 9 Henrietta Place W1M 9AG 01-631 3313				
Cheque Deposit Acc	11.50	8.59	12.98	Mth
Henderson/Bank of Scotland 38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc.	11.00	8.22	12.18	Mth
Lloyds Bank PLC 71 Lombard St, London, EC3P 3BS. 01-626 1500				
HighInt Cheque Account	11.25	8.25	12.32	Qtr
Lombard North Central PLC 17 Bruton St, W1A 3DH. 01-409 3434				
14-Day Notice	11.500	8.594	12.280	—
M & G/Kleinwort Benson 91-99 New London Rd, Chelmsford. 0245 51651				
K I C A	11.125	8.31	12.35	Daily
Midland Bank plc PO Box 2, Sheffield. 0742 20999 Ext 8655				
High Int Chq Acc	10.70	8.00	11.92	Qtr
£10,000 +	11.17	8.35	12.47	Qtr
Provincial Trust (formerly Cheolartons) 30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
Cheque Acc	11.50	8.60	13.00	Mth
Royal Bank of Scotland plc 24 Lombard St, London EC3V 9BA 031-557 0201				
Premium Account	11.0	8.22	12.27	Qtr
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB. 0708 66966				
H I B A	10.70	8.00	11.09	Daily
Tyndall & Co 29-33 Princess Victoria St, Bristol. 0272 732241				
Demand Acc	11.19	8.36	12.49	Qtr
Money Acc	11.03	8.25	12.31	Qtr
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc	11.00	8.22	12.40	Mth
Over £10,000	11.25	8.41	12.70	Mth
Western Trust & Savings Limited The Moneycentre, Plymouth PL 1SE 0752 24141				
High Int Chq Acc	11.44	8.55	12.61	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	28	Marks & Spencer	13
BAT	26	Midland Bk	35
BOC Grp	27	NEI	10
BSR	8	Nat West Bk	55
BTR	33	P & O Dfd	35
Babcock	13	Plessey	14
Barclays	33	Polly Peck	21
Beecham	30	Racal Elect	15
Blue Circle	50	RHM	12
Boots	18	Rank Org Ord	35
Bowaters	30	Reed Intnl	60
Brit Aerospace	32	Sears	11
Brit. Telecom	17	TI	35
Brown (J.)	$3\frac{1}{2}$	Tesco	24
Burton Ord	45	Thorn EMI	34
Cadburys	13	Trust Houses	12
Charter Cons	18	Turner Newall	$9\frac{1}{2}$
Comm Union	23	Unilever	90
Courtaulds	13	Vickers	35
Debenhams	32	**Property**	
Distillers	36	Brit Land	14
FNFC	12	Cap Counties	20
Gen Accident	55	Land Secs	26
Gen Electric	34	MEPC	26
Glaxo	100	Peachey	24
Grand Met	30	Samuel Props	15
GUS 'A'	70	**Oils**	
Guardian	60	Brit. Oil & Min	$3\frac{1}{2}$
GKN	20	Brit Petroleum	45
Hanson Tst	18	Burmah Oil	27
Hawker Sidd	36	Charterhall	4
ICI	42	Premier	5
Imps	16	Shell	55
Jaguar	27	Tricentrol	18
Ladbroke	27	Ultramar	18
Legal & Gen	60	**Mines**	
Lex Service	20	Cons Gold	40
Lloyds Bank	35	Lonrho	12
Lucas Inds	38	Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Coffee talks finally get down to business

By Andrew Gowers

DELEGATES TO the International Coffee Organisation were yesterday inching into a discussion on coffee export quotas and prices to be applied over the next 12 months, with producers and consumers still deeply divided on almost all the issues before them.

The meeting of the ICO council has been going on in London for nearly two weeks but serious talks on the key questions of exports and price levels have been held up because of the insistence of leading consumers that other issues, such as the non-fulfilment of export quotas in the first part of the coffee year, should be settled first.

There is now every sign that the council meeting will extend well into the weekend, ahead of the expiry of the present coffee year on Monday.

During an informal meeting of delegates yesterday, suggestions for the global export quota level ranged from 55m bags of 60 kg, as originally proposed by producers, to 61m bags, from some consumers.

All manner of compromise ideas were also in the air, including mechanisms for adjusting the quota as the year progresses if prices rise sharply as a result of supply shortages. One proposal from the Guatemalan representative, for example, suggested an initial quota of 55m bags, coupled with the possibility of two increases of 1m bags each once the price rises above 125 cents a pound and 130 cents.

The price is presently below the ICO's theoretical floor of 120 cents a pound, and producers are keen to get it back within the official range.

Some consumers were talking of dropping the bottom end of the price range, and producers mooted the possibility of raising the whole range by 5 cents, but without any great conviction on either side that the prices which have pertained for the last five years need to be changed.

"There's always been this split in the coffee agreement between those who believe you ought to follow the market and those who say you ought to lead it," said one experienced observer yesterday. Discussions today and over the weekend, therefore, are likely to focus on precisely where in the ICO range prices should be aimed.

On the question of non-fulfilment of export quotas—a serious concern to consumers last year, when there was a shortage of robusta coffees—suggestions that those countries which under-ship in the first part of the coffee year should be penalised, or that those which ship the full amount should be rewarded, appeared to be receding.

This was a bone of contention earlier in the meeting, with the U.S., in particular, insisting that it should be resolved before there was any discussion of export quotas.

Malaysia and Indonesia set to step up price war

BY WONG SULONG IN KUALA LUMPUR

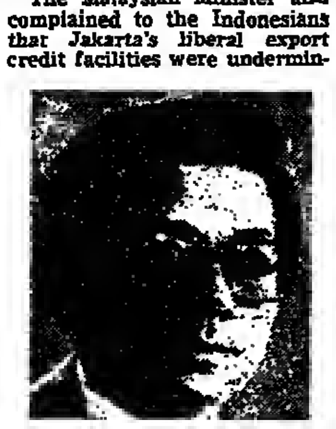
THE STAGE is now set for an acceleration of the commodity price war between South-east Asian producers, following the failure of the region's two commodity giants, Malaysia and Indonesia, to reach an understanding on restraining their production to check sagging prices.

Datuk Paul Leong, the Malaysian Minister of Primary Industries, who held two days of discussions with Indonesian economic ministers in Jakarta earlier in the week, said in Kuala Lumpur yesterday that while the two countries agreed there was an oversupply of such commodities as rubber, tin, palm oil and timber, they had differing views of how the problem should be tackled.

Malaysia would like to see producers co-operating and co-ordinating their production to match world demand. But Indonesia is of the view that there should be competition to reduce production costs, while more efforts should be placed on research and marketing to encourage greater consumption.

Datuk Leong's visit to Jakarta came in the wake of increasing Malaysian concern about strong competition from its ASEAN partners, Indonesia and Thailand, in commodity exports because of their lower labour costs and availability of good agricultural land.

The Malaysian Minister also complained to the Indonesians that Jakarta's liberal export credit facilities were undermining the effectiveness of the price stabilisation measures of the International Natural Rubber Organisation (Inro).



Datuk Paul Leong, Malaysia's Primary Industries Minister

In an effort to encourage non-oil and gas exports, Indonesian authorities extend to their exporters 180-day credit facilities at a 6 per cent annual rate of interest, when the prevailing interest rate in the country is around 25 per cent.

Datuk Leong said this had the effect of encouraging rubber consumers to sell their stocks for cash to Inro, and buy rubber from Indonesia on credit.

Such a development could be regarded as "reverse subsidies" to the rich countries.

Datuk Leong warned of the danger of a collapse of various international commodity agreements, and said: "These agreements are not designed to be effective during prolonged economic recession and structural surplus situations."

He told Malaysian commodity producers that they must accept the realities of the market place.

While placing emphasis on quality, they must also strive to be low-cost producers "in order to be able to compete with other producers."

The Minister also announced that a high-level Malaysian rubber mission would leave soon for a promotion tour of the U.S. and Canada.

The aim is to strengthen the Malaysian natural rubber market share in North America and to identify markets for Malaysian premium rubbers.

Good weather boosts Soviet crop outlook

BY PATRICK COCKBURN IN MOSCOW

GOOD WEATHER for harvesting in recent weeks in the southern Ukraine and North Caucasus, key areas for the Soviet grain crop, means that total production should be well up on last year, say agricultural specialists in Moscow.

The grain harvest should be at least the 190m tonnes estimated by the U.S. Department of Agriculture, though Mr Mikhail Gorbachev, the Soviet leader, said that he wants 200m tonnes in a poor year and 250m tonnes when the climate is good.

The warm, dry weather should also help the cotton crop in central Asia, where harvesting started two weeks ago.

The overall picture for animal feedstuffs, of which grain only provides 40 per cent of the total, is also considerably brighter than in 1984, and could be the best since 1978. Hay and silage are at record, or near record, levels.

The impact of last year's poor harvest, an only average fodder crop and a very cold winter, is now being felt with some draw-down in the size of the cattle herds below the 120m target. This is despite the import of 55m tonnes of grain in 1984-85. Increased slaughtering ensures that the amount of meat in the shops has increased, having totalled 17m tonnes in 1984.

Farm ministers opposed to direct income aids

BY OUR COMMODITIES EDITOR

A SENIOR European Commission official yesterday gave a stark indication of the opposition among EEC member states to key components of its Green Paper on reforming the Common Agricultural Policy.

Mr Graham Avery, agricultural adviser to Mr Frans Andriessen, the European farm commissioner, said EEC farm ministers had shown "practically no interest" in the Commission's proposal for direct income aids to farmers who would be particularly hard hit by its favoured policy of cutting farm prices. He also remarked on the hostility to the idea from farmers' organisations across Europe.

But speaking at a seminar in London organised by specialist publishers Agra-Europe, he said there was some enthusiasm for schemes designed to ease early retirement among farmers and for grants to encourage them to care for the environment.

In its Green Paper earlier this year, the Commission argued that a more market-oriented approach, involving substantial and sustained price reductions, was by far the best approach to tackling the EEC's agricultural surplus problems and curbing its excessive expenditure on the farm sector.

The extent of continuing disagreement among ministers, despite the Commission's much-heralded reform initiative, was underlined at an informal meeting earlier this week.

Mr Avery stressed that the Commission had not yet made up its mind on concrete proposals for action in the cereals sector.

Irish likely to get cheap EEC grain

By Ivo Dawnay in Brussels

EMERGENCY AID for Ireland's livestock industry looks certain to be authorised by the European Commission after heavy rains slashed output from this year's harvest of feed grains.

Mr Frans Andriessen, the EEC Farm Commissioner, has told his Commission colleagues that he is preparing plans to allow 125,000 tonnes of feed grains to be sold to the Republic at rates 25 per cent below intervention prices. The move aims to keep beef and dairy farmers fully supplied, thus reducing slaughtering at a time of glut on the beef market.

The grain is likely to come from UK stores with as much as Ecu 3m (£1.71m) to cover additional transport costs. The British government is seeking similar support for Northern Ireland with a figure of 40,000 tonnes currently understood to be under discussion.

Acceptance of the package will depend on backing from the Commission, and also on endorsement from Agriculture Ministers at the Farm Council. But the Commission, at least, is expected to approve the plan.

A refusal to support the measures would almost inevitably lead to higher slaughtering of Irish cattle. Market prices for beef are currently running at only 60 per cent of the guide price or 20 per cent below intervention levels.

The lack of feed grain in Ireland could add as much as Ecu 20 a tonne to feed prices through heavy importation costs at a time when intervention stores are about to accept whole carcasses to ease the price pressure on the market. EEC Stocks now exceed 800,000 tonnes—a near record.

Steam coal market under pressure

BY GERARD McLOSKEY

LOW OCEAN freight rates, slack summer demand and accelerated supplies because of earlier fears of a strike in South Africa's coal mines have conspired to drag down spot steam coal prices in Europe this month.

Barge lots of South African steam coal are now fetching no more than US$39 a tonne in Rotterdam which is a $1.50 fall in a month and brings prices to their lowest level since the start of the UK mine strike in March last year.

The fall comes at a bad time for the coal producers who are entering price renewal negotiations for 1986 supplies. What seems to have tipped the balance was the threatened South African miners' strike which hit three mines last month, albeit briefly. This prompted an early dispatch of some cargoes at least two of which have arrived in Europe in the last few days with part of the cargoes remaining unsold. Traders are predicting continued downward pressure on prices for the rest of this year unless there is severe disruption in the South African coalfields; this, they believe, could send prices up by as much as $7 a tonne.

Apart from the U.S. steam coal exporters, sales on the international market over the last two years has been a mixed experience with continuing low prices being counterbalanced by a strong dollar. While Canada, Colombia and Australia have picked up some windfall gains, the main beneficiaries have been the South African mining houses. In January last year barge prices stood at $35.50, or R44.8; a year ago they had risen to $45, powered by UK steam coal imports during the height of the coal strike. This price rise, combined with the strengthening dollar, brought the South African coal producers R75.5 a tonne. But in the last 12 months such has been the plight of the rand that an apparently poor $39 a tonne yield brings a rand reward of R96.4/tonne.

For mines which have long covered their amortisation costs, such prices are an added bonus and certainly make their recent, disputed offer of 14-19 per cent in black miner wage increases look undemanding. For newer pits financed internationally, however, higher revenues in local currency can ease debt repayment. But the biggest impact of the declining value of the rand will be seen on future mining developments, most particularly on the doubling of the capacity of the Richards Bay Coal Terminal — the country's main coal export facility — to 80m tonnes annually.

INTERNATIONAL COAL REPORT SPOT STEAM COAL MARKER PRICE	
September 1985	$39
July/Aug: 1985	$41-42
September 1984	$45

(South African 10,600 Btu/lb 0.8% sulphur, fob barge, Rotterdam)

Despite an oversupply of almost all coal qualities the world over, it has become clear in recent years that supplies of anthracite are running low, particularly from increasingly aged capacity in South Wales and Germany. In order to reverse this trend and to satisfy demand in Europe and South Korea three mines are simultaneously reaching final stages of development — the Gencor Kwazulu mine and the Kobar Mining pit in southern Africa are starting shipments later this year while the prospective Mt Klappan mine in British Columbia has despatched its first delivery to Europe. Prices for prime-quality anthracite are well in excess of US$140 a tonne in Europe.

Further downward pressure could be exerted with the decision of the Queensland government to release some 1m tonnes of state power station coal onto the export market. A similar move is being debated in New South Wales.

Gerard McCloskey is editor of the FT International Coal Report.

Australian mine productivity improving

BY MAURICE SAMUELSON

AUSTRALIAN COAL mines recently re-equipped with new British machinery are now rivalling the productivity of the country's large open-cast sites and reporting double the output of equivalent long wall mines in Britain, Mr David Hunt, Energy Minister of State, said in London yesterday.

He was speaking after a tour of the Australian coal industry which, he said, was expected to order £50m worth of equipment for long-wall mining over the next two years. Thanks to the switch to the traditional UK long wall method and their very thick seams of coal, some of these underground faces were producing 2m tonnes a year, compared with about 1m tonnes a year in the UK.

In answer to questions from his hosts, Mr Hunt had told them that the British Government did not restrict imports of coal and had no plans to start doing so, although the Central Electricity Generating Board is committed to taking 95 per cent of its orders from the British National Coal Board for the next two years.

Referring to the West European market for coal, in which the Australians as major exporters are deeply interested, Mr Hunt also told them that with the West German and French coal industries being drastically cut back, the British coal industry aspired to dominate this market which represented its "brightest potential" for the future.

The Australians, for their part looked on South East Asia as their biggest potential market for steam coal and said they were interested in entering joint ventures with British power station manufacturers on major electricity projects there.

LONDON MARKETS

TIN AND nickel were the main features of a generally lower base metals market on the London Metal Exchange yesterday. With only light buying support evident from the International Tin Agreement's buffer stock manager Wednesday's modest rally was easily wiped out and a fall of £132.50 a tonne took the cash tin price to £8,642.50 a tonne, £524 below the level ruling a week earlier. Cash nickel's £100 fall took the price to £3,005 a tonne, the lowest level since early October, 1983. Dealers said market conditions were extremely thin. Among the softs the cocoa market was also quite sharply down, following New York's lead, but coffee values were somewhat firmer. November coffee futures closed £13.50 higher at £1,597 a tonne after another day dominated by currency considerations.

LME metals prices supplied by Amalgamated Metal Trading.

BASE METALS

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	683.5-4.0	+2	—
3 months	705.00	+3	707/704

Official closing (am): Cash 683-.5 (686-7), three months 705-.5 (708-.5), settlement 683.5 (687). Final Kerb close: 705-5.5. Turnover: 9,750 tonnes.

COPPER

Higher grade	Unoffic'l close	+ or −	High/low
Cash	950.5-1.5	−5.5	951
3 months	976-7.5	−3	981/973

Official closing (am): Cash 951-2 (955.5-6), three months 976-.5 (980-1), settlement 952 (956). Final Kerb close: 975-76.

Cathodes			
Cash	937-8	−3.5	—
3 months	961-3	−4	959

Official closing (am): Cash 938-42 (941-2), three months 962-3 (966-7), settlement 942 (942). Turnover: 9,825 tonnes. U.S. Producer prices 64.50-68 cents a pound.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	277-8	−6.25	283/282
3 months	286-.5	−5.87	288/285

Official closing (am): Cash 282-.5 (284-5), three months 290-.5 (293-.5), settlement 282.5 (285). Final Kerb close: 284-4.5. Turnover: 9,775 tonnes. U.S. Spot: 19-20 cents a pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	3000-10	−100	3060/3010
3 months	3045-50	−97.5	3140/3020

Official closing (am): Cash 3,045-50 (3,110-20), three months 3,090-5 (3,155-60), settlement 3,050 (3,120). Final Kerb close: 3,115-25. Turnover: 1,632 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	453-4	−8	460
3 months	463-4	−6	—

Official closing (am): Cash 455-7 (461.5-2), three months 465-6 (468-9), settlement 457 (462). Final Kerb close: 465-5.5. Turnover: 12,200 tonnes. U.S. Prime Western: 38-38.75 cents a pound.

TIN

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/low for day
Cash	8640-5	−132.5	—
3 months	8590-5	−121	8605

Official closing (am): Cash 8,660-70 (8,675-80), three months 8,610-5 (8,615-25), settlement 8,670 (8,680).

Standard			
Cash	8640-5	−132.5	8675/8670
3 months	8590-5	−112	8670/8580

Official closing (am): Cash 8,660-70 (8,675-80), three months 8,610-5 (8,610-20), settlement 8,670 (8,680). Final Kerb close: 8,550-55. Turnover: 1,250 tonnes. Straits tin $m 30.45 (30.40)

GOLD

Gold rose $½ an ounce from Wednesday's close in the London bullion market yesterday, to finish at $329-329½. The metal opened at $330¾-331¼ and traded between a high of $331½-332 and a low of $327¾-328¼. Gold finished around the middle of the day's range and failed to take advantage of a weaker dollar.

GOLD BULLION (fine ounce) Sept 26

Close	$329-329½	(£228¼-228¾)
Opening	$330¾-331¼	(£230¾-229¼)
M'n'g fix	$330.40	(£228.609)
Aft'n'n fix	$329.55	(£228.406)

GOLD AND PLATINUM COINS

Kr'g'r'nd	$333¼-334¼	(£231½-239¼)
½ Krug.	$173-175¾	(£121½-122)
¼ Krug.	$89-89¾	(£61¾-62¼)
1/10 Krug.	$30-36½	(£25-25½)
Mapleleaf	$339-339¾	(£235½-236)
New Sov.	$72½-79¼	(£54½-55)
½New Sov	$47-47¼	(£32½-33)
Old Sov.	$82½-84	(£57¼-56½)
$20 Eagle	$460-500	(£319¾-347½)
Noble Plat	$325-328½	(£229¾-228½)

SILVER

Silver was fixed 3.25p an ounce lower for spot delivery in the London bullion market yesterday at 427.3p. U.S. cent equivalents of the fixing levels were: spot 615.7c, up 1.7c; three-month 627.3c, up 1.8c; six-months 639.9c, up 1.8c; and 12-month 667.2c, up 0.9c. The metal opened at 426-429p (616-619c) and closed at 422½-425½p (609-612c).

SILVER per troy	Bullion Fixing Price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	427.30p	−3.25	422.00p	−7.50
3 months	438.90p	−3.20	434.50p	−7.75
6 months	450.45p	−3.10	—	—
12 months	473.30p	−3.68	—	—

LME—Turnover: 37 (13) lots of 10,000 oz. Large cash high/low 426.5, three months' high 438.5, low 433.

RUBBER

PHYSICALS—The London market opened unchanged, moved narrowly throughout the day and closed quiet and slightly easier, reports Lewis and Peat. Closing prices (buyers) spot 57.50p (58.00p), October 55.75p (56.25p), November 57.50p (58.50p). The Kuala Lumpur fob price (Malaysia/Singapore cents) per kg RSS No. 1 was 178.5 (181.5); and for SMR 20 156.5 (158.5).

INDICES

FINANCIAL TIMES

Sep. 26	Sep. 24	M'th ago	Year ago
251.46	251.52	250.10	268.36

(Base: July 1 1952 = 100)

REUTERS

Sep. 26	Sep. 25	M'th ago	Year ago
1701.4	1698.8	1073.9	1871.4

(Base: September 18 1931 = 100)

DOW JONES

Dow Jones	Sept. 19	Sept. 12	Month ago	Year ago
Spot	119.11	111.49	—	124.49
Fut.	114.39	114.03	—	124.89

(Base: December 31 1931 = 100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

METALS	Sept 26 1985	+ or −	Month ago
Aluminium	£1100	......	£1100
Free Mkt	$1005/20		$1068/78
Copper			
Cash h Grade	£951	−5.5	£998
3 mths	£975.75	−3	£1024.25
Gold Troy oz	$328.25	+0.50	$335.50
Lead Cash	£277.5	−6.25	£303.50
3 mths	£286.25	−5.87	£304.75
Nickel			
Free Mkt	208/210c	−0.50	221/241c
Palladium oz	$101.60	+1.00	$107.20
Platinum oz	$316.10	+5.85	$339.00
Quicksilver†	$280/290		$290/300
Silver troy oz	427.30p	−3.25	448.70p
3 months	438.90p	−3.20	460.75p
Tin cash	£8642	−132.5	£9086.5
3 months	£8592.5	−118	£9060.5
Tungsten	$70.68		$72.02
Wolfram 22.04lb	$64/68		$62/70
Zinc	£453.0	−9	£497.5
3 months	£463.5	−6	£501.5
Producers	$830		$830
OILS			
Coconut (Phil)	$452.50	−12.50	$430
Palm Malayan	$565	−5	$380
SEEDS			
Copra Phil	$300x		$300
Soyabean (U.S.)	$216.50	−0.75	$215.7
GRAINS			
Barley Fut. Jan.	£109.15	+0.25	£104.15
Maize	£131y		£133.49
Wheat Fut. Jan.	£109.00	+0.10	£106.18
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Dec.	£1762.5	−23	£1720.5
Coffee Ft. Nov.	£1597	+13.5	£1633.5
Cotton A Index	61.85c	−0.50	56.95c
Gas Oil Nov.	$254.25	+2.00	$259.25
Rubber (kilo)	57.50p	−0.50	61.00p
Sugar (raw)	$132z	+1	$132
Wooltops 64s	425p kilo	−8.00	424p kilo

‡ Unquoted. z Sept-Oct. y Oct. x Oct-

COCOA

Although holding unchanged from the previous close until the mid-afternoon call, futures eased sharply on aggressive commission house selling during the final hour of trading and finished £30.00 off on the day. Producers remained withdrawn but some limited scale down consumer offtake was seen, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or −	Business Done
Sept.	1713-1720	−24.5	1755-1725
Dec.	1762-1763	−23.0	1787-1754
March	1784-1785	−34.0	1820-1785
May	1798-1799	−37.5	1838-1798
July	1809-1811	−31.5	1843-1808
Sept.	1816-1818	−30.5	1845-1825
Dec.	1800-1810	−28.5	1830-1823

Sales: 4,009 (2,997) lots of 10 tonnes. ICCO indicator prices (U.S. cents per pound). Daily price for Sept 26: 110.21 (111.69); five-day average for Sept 27: 110.53 (109.65).

COFFEE

In quiet conditions prices traded £10-20 higher following a slightly stronger New York close and a lower pound, reports Drexel Burnham Lambert. Commission house selling triggered a £10 retracement but dealings were light as values consolidated within a tight range.

COFFEE	Yesterday's Close	+ or −	Business Done
Sept.	1567-1568	+11.0	1570-1569
Nov.	1595-1599	+13.5	1601-1590
Jan.	1637-1640	+18.0	1640-1630
March	1672-1675	+23.0	1672-1665
May	1702-1705	+27.0	1705-1795
July	1710-1755	+17.5	1739-1779
Sept.	1740-1770	+10.0	1760

Sales: 712 (3,192) lots of 5 tonnes. ICO indicator prices (U.S. cents per pound) for Sept 25. Comp. daily 1979 119.74 (110.82); 15-day average 118.47 (118.35).

GRAINS

Markets again reached contract highs as intervention offers continue at a steady rate ceasing spot physical demand. Light profit-taking trimmed gains late in the day, reports Muirpace.

WHEAT Mnth	Yesterd'ys close	+ or −	BARLEY Yesterdys close	+ or −
Nov	106.20	+0.25	106.10	+0.50
Jan	109.00	+0.15	109.10	+0.25
Mar	112.00	+0.05	113.05	+0.20
May	115.00	+0.15	114.85	+0.15
July	117.95	+0.50	—	—

Business done—Wheat: Nov 106.35-6.15, Jan 109.20-9.00, March 112.25-2.00, May 115.25-5.00, July 118.00 only. Sales: 185 lots of 100 tonnes. Barley: Nov 106.20-6.00, Jan 109.20-9.00, March 112.10-2.00, May 114.90-4.85. Sales: 177 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No. 1, 15 per cent: Oct 127.75, Nov 129.25, Dec 130.50, Jan 133, transhipment East Coast. U.S. No. 2 Soft Red Winter: Oct 109, Nov 108.50, Dec 109.75, Jan 111. EEC French: Oct 113.25. English Feed, fob: Oct 107.25-109.00, buyer/seller, Oct/Dec 109.25, seller, Jan/March 113.00-113.25, buyer/seller, April/June 118.25, Jan/June 116.25, seller. Maize: U.S. No. 3 Yellow/French, transhipment East Coast: Oct 131. Barley: English Feed, fob: Oct 106.25-107.25, buyer/seller, Nov 108.50, buyer, Oct/Dec 208.00-109.00, Jan/March 113.00-113.50, April/June 118.00-118.50, buyer/seller. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed Wheat: S. East 101.50, S. West 100.50, W. Mids. 98.30, N. East 100.30; Feed Barley: S. West 101.30, N. East 97.60. The UK monetary coefficient for the week beginning Monday, September 30, will remain unchanged.

MEAT

Prices closed slightly lower in poor volume as a result of marginally weaker physicals, reports CCST Commodities.

Month	Yesterday's close	Previous close	Business done
	p. per kilo (deadweight)		
Oct	113.70	113.70	113.7-113.7
Nov	114.70	114.70	118.2-115.0
Feb	102.60	102.60	
April	103.10	103.10	103.1-103.1
June	101.10	101.10	101.5-101.1
Aug	100.00	100.00	100.0-100.0

Sales: 16 (15) lots of 50 carcases, 3,250 kg.

MEAT COMMISSION—Average fatstock prices at representative markets: GB—Cattle, 93.32p per kg lw (−0.99); GB—Sheep, 139.60p per kg est dcw (−7.07); GB—Pigs, 80.78p, per kg lw (−1.24).

U.S. MARKETS

PRECIOUS METALS came under pressure in response to renewed dollar strength relative to the European currencies and the lack of Fed intervention, reports Heinold Commodities. Copper also came under pressure from arbitrage selling linked to sterling weakness along with trade selling. Aluminium was generally featureless with light selling linked to the decline in sterling. Sugar fell sharply on reports that more favourable weather in Europe will benefit the beet crop. Cocoa came under pressure on reports of producer sales and currency considerations. Coffee values continued to drift on indications current ICO meetings will be extended. Limited interest continued to keep cotton in a tight range.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Sept	42.95	—	—	43.05
Oct	43.15	—	—	43.25
Nov	43.55	—	—	43.75
Dec	43.90	44.20	43.90	44.00
Jan	44.25	—	—	44.35
March	45.00	45.30	45.00	45.10
May	45.70	—	—	45.00
July	46.40	46.50	46.50	46.50
Sept	47.10	—	—	47.20
Jan	48.50	—	—	48.60

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
Dec	2284	2334	2257	2315
March	2360	2387	2336	2382
May	2383	2418	2372	2410
July	2385	2420	2375	2418
Sept	2390	2426	2383	2410
Dec	2400	—	—	2413

COFFEE "C" 37,000 lb, cents/lb

	Close	High	Low	Prev
Dec	138.19	138.60	137.80	138.44
March	138.80	139.50	139.25	139.86
May	140.93	140.90	140.50	140.95
July	141.05	—	—	141.18
Sept	141.78	141.50	141.50	141.50
Dec	141.00	141.00	141.00	140.50

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Sept	59.85	59.85	59.85	59.85
Oct	58.95	—	—	59.75
Nov	59.35	—	—	60.10
Dec	59.70	60.75	59.50	60.50
Jan	59.96	—	—	60.75
March	60.45	61.45	60.35	61.25
May	60.90	62.00	61.20	61.70
July	61.35	62.05	61.80	62.15
Sept	61.75	62.70	62.15	62.56
Dec	62.35	63.30	62.40	63.15

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
Oct	60.15	60.25	59.81	60.02
Dec	59.82	59.10	58.77	58.94
March	59.59	60.25	59.95	60.16
May	60.36	60.50	60.35	60.47
July	59.15	59.40	59.15	59.40
Oct	54.17	54.59	54.50	54.50
Dec	53.10	53.60	53.05	53.50

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Close	High	Low	Prev
Nov	28.93	29.00	28.58	28.42
Dec	28.39	28.56	27.98	27.82
Jan	27.88	28.04	27.51	27.38
Feb	27.52	27.55	27.10	26.96
March	27.12	27.15	26.70	26.60
April	26.71	26.75	26.38	26.30
May	26.43	26.45	26.05	26.00
June	26.18	26.18	25.80	25.75
July	25.86	25.86	25.60	25.55
August	25.62	25.62	25.58	25.43

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Sept	327.7	—	—	329.7
Oct	327.5	330.3	327.0	330.0
Nov	333.0	—	—	332.1
Dec	332.2	334.5	331.2	334.2
Feb	336.5	338.6	336.6	338.6
April	340.7	342.7	340.0	342.8
June	345.3	345.5	345.0	347.5
August	350.1	350.5	350.5	352.4
Oct	355.1	357.5	357.5	357.4
Dec	360.0	361.9	360.5	362.3
Feb	365.2	—	—	367.5
April	370.5	—	—	372.8
June	376.1	—	—	378.4

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Close	High	Low	Prev
Oct	82.50	82.60	81.60	80.84
Nov	82.70	82.90	81.70	81.35
Dec	82.95	83.25	81.60	81.65
Jan	82.70	82.80	81.60	81.38
Feb	81.55	81.75	80.75	80.25
March	77.60	78.00	76.60	76.35
April	74.10	74.50	74.10	73.81
May	72.60	73.50	73.50	71.70

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
Nov	133.90	134.20	133.50	133.35
Jan	130.90	131.00	130.25	128.90
March	128.90	128.90	128.00	128.00
May	127.55	—	—	128.55
July	127.05	127.00	127.00	126.60

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Oct	311.3	317.0	310.5	317.7
Nov	—	—	—	—
Dec	—	—	—	—
Jan	315.5	321.5	315.1	322.4
April	318.5	325.5	318.5	326.5
July	324.5	337.0	326.0	331.5
Oct	330.0	334.0	332.0	337.0

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Sept	606.4	613.0	604.0	615.3
Oct	606.0	—	—	618.0
Nov	610.4	—	—	618.4
Dec	615.0	622.5	614.0	624.5
Jan	619.2	626.0	621.0	626.8
March	627.0	635.0	627.0	637.4
May	636.2	643.0	635.0	646.1
July	645.7	650.0	648.0	655.6
Sept	655.5	663.5	660.0	665.7
Dec	670.0	678.0	669.0	681.0

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Oct	4.91	5.37	4.86	5.46
Jan	5.08	5.40	5.20	5.53
March	5.42	5.84	5.41	5.88
May	5.61	5.01	5.60	5.07
July	5.84	6.22	5.80	6.30
Sept	—	—	—	4.80
Oct	5.23	5.62	5.22	5.60
Jan	5.41	—	—	5.85

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Oct	57.47	57.85	57.07	57.52
Dec	60.27	60.52	59.85	60.20
Feb	59.02	59.25	58.25	58.70
April	58.62	58.85	58.75	58.20
June	60.40	60.65	59.90	60.15
August	58.80	59.10	58.35	58.55
Oct	58.62	58.70	58.10	[illegible]

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Oct	40.75	41.05	40.15	39.92
Dec	42.50	42.70	41.70	41.85
Feb	42.40	42.70	41.65	41.62
April	38.82	39.10	38.10	38.07
June	42.60	42.85	42.00	41.82
July	43.50	43.70	42.82	42.90
August	42.75	42.90	42.47	42.60
Oct	39.70	39.95	39.30	39.15
Dec	40.20	40.60	39.60	40.65

MAIZE 5,000 bu min, cents/56lb-bushel

	Close	High	Low	Prev
Dec	223.2	224.6	222.4	225.0
March	233.6	234.4	232.0	235.0
May	239.4	240.0	238.2	240.4
July	241.6	242.4	240.4	242.6
Sept	234.0	236.2	233.4	236.0
Dec	230.5	232.4	230.4	232.4
March	240.0	241.2	240.0	241.4

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
Feb	82.12	82.60	81.15	80.75
March	82.32	82.70	81.40	80.77
May	83.47	83.90	82.35	82.02
July	84.30	84.50	83.60	82.50
August	82.02	82.55	81.30	80.65

SOYABEANS 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
Nov	513.4	521.0	515.0	520.0
Jan	528.4	532.2	528.0	531.5
March	541.4	546.0	540.6	544.4
May	551.9	555.2	550.0	554.4
July	558.0	562.4	558.4	561.0
August	558.0	560.0	558.0	560.4
Sept	549.0	—	—	550.4
Nov	548.0	551.0	548.0	551.0
Jan	559.0	562.0	559.0	563.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Oct	132.2	133.5	132.0	133.5
Dec	136.9	137.8	136.8	137.8
Jan	138.8	139.3	138.2	139.1
March	141.2	141.7	140.8	141.5
May	143.5	144.0	143.0	143.5
July	145.5	146.0	145.0	146.8
August	147.7	—	—	147.8
Sept	146.5	—	—	146.5
Oct	147.5	—	—	147.5

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
Oct	21.08	21.19	21.05	21.14
Dec	21.14	21.25	21.06	21.25
Jan	21.28	21.40	21.18	21.42
March	21.65	21.80	21.50	21.88
May	22.00	22.10	21.89	22.22
July	22.20	22.41	22.19	22.48
August	22.27	22.40	22.20	22.55
Sept	22.19	22.50	22.10	22.50
Oct	22.10	22.25	22.10	22.25

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
Dec	297.5	299.6	296.0	300.4
March	305.4	306.2	302.0	306.2
May	299.0	299.2	296.0	298.2
July	284.0	284.0	282.0	284.2
Sept	285.4	286.4	285.2	285.6

SPOT PRICES—Chicago loose lard 16.50 (16.00) cents per pound. New York tin 571.00-577.00 (575.00-580.00) cents per pound. Handy and Harman silver bullion 609.50 (612.50) cents per troy ounce.

OIL

Brent grades firmed in response to the reports of force majeur declamations from Russia and Iraq. Nymex opened strongly and was trading 42 cents up for November by 1.30 pm EDT. Gasoil continued to firm on good major and trader demand for both non-EEC and EEC material. This trend was strengthened by reports of a Russian and Algerian loading delay, Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—Oct.		
Arab Light	27.85-27.95*	+0.10
Arab Heavy	25.70-25.80	+0.10
Dubai	26.90-27.05*	+0.125
Brent Blend	28.10-28.15	+0.275
W.T.I. (1 pm est)	28.55-28.70*	+0.15
Forcados (Nigeria)	28.50-28.60	+0.18
Urals (cif NWE)	27.00-27.10	−0.025
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	272-275	+0.50
Gas Oil	258-260	+3.50
Heavy fuel oil	133-136	−0.50
Naphtha	248-250	+0.50

* November.

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's Close	+ or −	Business Done
	$ U.S. per tonne		
Oct	258.00	+3.50	258.75-56.00
Nov	254.25	+2.00	256.50-55.25
Dec	251.50	+1.50	253.50-51.00
Jan	249.00	+1.25	252.00-49.50
Feb	247.00	+4.00	247.00-46.00
Mar	241.00	+3.00	241.00-41.00

Turnover: 2,762 (3,360) lots of 100 tonnes.

POTATOES

April opened 80p down following a Guilder drop on the Dutch market. Persistent buying interest at these lower levels resulted in a rally with prices returning virtually to unchanged. The market closed at or near the day's highs, with November and April closing at £28.90, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business Done
	£ per tonne		
Nov	63.00	62.10	63.00-62.50
Feb	64.50	63.40	—
Apr	79.90	80.30	80.10-78.10
May	87.00	86.90	87.20-87.00

Sales: 293 (736) lots of 40 tonnes.

SOYABEAN MEAL

The market opened unchanged in quiet conditions, reports T. G. Roddick. Prices remained in narrow trading ranges throughout day due to lack of any fresh news. The market closed with small losses.

	Yesterday close	+ or −	Business Done
	£ per tonne		
October	116.0-124.0	−0.50	—
Dec.	123.5-124.5	+0.10	124.0-124.5
Feb.	125.5-127.0	−0.40	125.5-125.5
Apr.	127.0-127.4	−0.05	127.0-127.5
June	126.5-127.5	−0.25	127.0-127.0
August	127.0-128.0	−0.75	—
October	128.0-130.0	−0.50	—

Sales: 527 (312) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $139.00 (£96.50), up $1.00 (unchanged) a tonne for September-October delivery. White sugar $179.50, up $1.50.

There was little buying interest at overnight levels and prices eased $3.00 before support was uncovered, reports C. Czarnikow.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Oct	138.0-150.0	141.0-142.0	140.0-138.0
Dec	145.6-155.0	146.6-146.9	144.0-150.2
Mar	144.4-144.4	154.4-154.6	154.0-145.0
May	158.0-149.2	158.0-158.0	157.0-148.0
Aug	154.0-155.4	165.0-165.0	159.0-157.0
Oct	160.7-161.4	171.0-172.0	—

Sales: 2,700 (2,289) lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £200.00 (£199.50) a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports.) Prices for Sept 26: Daily price 5.26 (5.18); 15-day average 5.17 (same).

PARIS—Dec 1433-1437, March 1448-1451, May 1473-1483, Aug 1525-1540, Oct 1565-1580, Dec 1610-1630.

FREIGHT FUTURES

Further substantial gains were recorded in the Freight Futures market today. Almost 30 points were seen initially on the October position, with further gains being added by midday. The January futures rose to 1,000 points, but afternoon profit taking eroded most of the day's gains, despite further constructive news from the physical market, reports Clarkson Wolff. The Baltic Freight Index was 866.5 up 27.

	Close	High/Low	Prev.
Oct.	967/965	985/962	937/935
Jan.	975/970	1000/975	967/962
April	1012/1005	1040/1010	1005/1000
July	905/890	905/905	905/885
Oct.	1020/980	—	1025/960
Jan.	1024/990	—	1020/1015
April	1100/1040	—	1060/1042
July	1000/980	—	990/966

Turnover: 564 (663).

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Central banks depress dollar

The threat of central bank intervention pushed the dollar weaker yesterday. The market was particularly sensitive to unconfirmed reports that the Bank of Japan was working towards a Y200-Y210 rate against the dollar. Although the U.S. unit showed some resistance around its lower levels, there was no desire to try and push it firmer with the threat of central bank dollar sales overriding all other considerations.

Despite the dollar's weaker trend there were still some who were looking for some levels of consolidation. This was given strength by an overall desire not to see the dollar fall too quickly in order to avoid any destabilising influence. The U.S. unit found some support therefore around Y220.0 against the yen and DM 2.6550 against the D-mark. U.S. money supply figures due for release after the close of business in London were quietly forgotten as a factor likely to influence the market.

The dollar closed at DM 2.6600 down from DM 2.6800 on Wednesday and its lowest closing level since April 1984. Against the yen it closed at Y220.20 down from Y226.90 on Wednesday and its worst closing level since January 1982. Elsewhere it slipped to SwFr 2.1775 from SwFr 2.2065 and FFr 8.12 compared with FFr 8.20. On Bank of England figures, the dollar's exchange rate index fell from 134.1 to 131.6.

STERLING — Trading range against the dollar in 1985 is 1.4400 to 1.0525. August average 1.3838. Exchange rate index 82.0 from 82.6, having touched a low of 81.9. The six months ago figure was 75.7.

Sterling was hardly changed against the dollar but as the latter weakened, so sterling fell against its major European trading partners. It closed $1.4380-1.4390 against the dollar, a fall of just 15 points from Wednesday. Against the D-mark it fell to DM 3.8275 from DM 3.8600 and Y316.75 compared with Y326.75. Elsewhere it slipped to SwFr 3.1325 from SwFr 3.1775 and FFr 11.68 compared with FFr 11.8075.

D-MARK — Trading range against the dollar in 1985 is 3.4510 to 2.6600. August average 2.7936. Exchange rate index 128.0 against 120.2 six months ago.

The dollar fell sharply in Frankfurt yesterday amid further fears of central bank intervention and closed at DM 2.6610 down from DM 2.7100 on Wednesday. Earlier in the day it had been fixed at DM 2.6590, its lowest level since April 1984 and the Bundesbank sold $55.8m at the fixing.

STERLING INDEX

	Sept 26	Previous
8.30 am	82.6	82.7
9.00 am	82.3	82.7
10.00 am	82.1	82.7
11.00 am	82.0	82.7
Noon	81.9	82.6
1.00 pm	81.9	82.5
2.00 pm	82.0	82.6
3.00 pm	82.1	82.7
4.00 pm	82.0	82.6

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu September 26	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	45.0181	+0.42	+0.88	±1.5425
Danish Krone	8.12857	8.07728	−0.63	−0.17	±1.6421
German D-mark	2.23840	2.21871	−0.88	−0.42	±1.1455
French Franc	6.86402	6.77423	−1.31	−0.85	±1.3654
Dutch Guilder	2.52208	2.50045	−0.86	−0.40	±1.5162
Irish Punt	0.724578	0.716990	−1.05	−0.59	±1.6673
Italian lira	1520.60	1500.81	−1.30	−1.30	±4.0856

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

	Sept. 26	Prev. close
£ Spot	$1.4375-1.4385	$1.4470-1.4480
1 month	0.47-0.44 pm	0.45-0.44 pm
3 months	1.21-1.17 pm	1.15-1.15 pm
12 months	3.20-3.05 pm	3.03-0.93 pm

Forward premiums and discounts apply to the U.S. dollar

POUND SPOT — FORWARD AGAINST POUND

Sept 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.4330-1.4450	1.4380-1.4390	0.48-0.44c pm	3.83	1.23-1.18	3.35
Canada	1.9483-1.9578	1.9495-1.9505	0.56-0.46c pm	3.14	1.13-1.10	2.35
Nethlnd.	4.2970-4.3475	4.3145-4.3155	2¼-1⅞c pm	0.90	6¼-5¾ pm	5.67
Belgium	77.21-77.65	77.65-77.55	29-12c pm	2.17	58.35 pm	2.39
Denmark	13.87-14.02	13.81¼-13.91¾	3¾-2¾ore pm	2.64	6¼-5¾ pm	1.68
Ireland	1.2346-1.2500	1.2376-1.2386	0.27-0.13p pm	1.93	0.62-0.31 pm	1.50
W. Ger.	3.8165-3.8570	3.8270-3.8280	2⅞-1⅞pf pm	7.44	7¼-6⅞ pm	0.92
Portugal	236½-242¾	237¾-241½	50 pm-290c dis	−8.15	325-1300dis	−13.62
Spain	232½-234¼	233½-233½	6 pm-50c dis	−0.62	65-190 dis	−2.24
Italy	2572-2608	2589½-2590½	par-7lire dis	−1.45	6-18 dis	−1.65
Norway	11.38¼-11.47¾	11.40¾-11.40¾	¼ pm-1ore dis	−0.98	2¼-3¾ dis	−1.90
France	11.60½-11.68½	11.67¾-11.68¾	2¼-¾c pm	1.54	3-¾ pm	0.62
Sweden	11.50¼-11.58½	11.50¾-71.50¾	3¾-4¾ore dis	−3.91	11¼-12¾ dis	−4.15
Japan	314¾-321½	316½-317	1.14-1.12y pm	4.26	3.90-3.70 pm	4.78
Austria	26.79-27.09	26.79-26.86	16¾-14¾gro pm	7.04	44½-40 pm	6.66
Switz.	3.11¾-3.16	3.13-3.13½	2⅞-1⅞c pm	0.98	5⅞-4⅞ pm	6.22

Belgian rate is for convertible francs. Financial franc 78.35-78.45. Six-month forward dollar 2.02-1.95c pm. 12-month 3.22-3.12c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Sept 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4330-1.4450	1.4380-1.4390	0.48-0.44c pm	3.83	1.23-1.18	3.35
Ireland†	1.1560-1.1690	1.1580-1.1590	0.23-0.13c pm	1.86	0.65-0.40 pm	1.80
Canada	1.3550-1.3585	1.3575-1.3585	0.06-0.08c dis	−0.62	0.25-0.28dis	−0.78
Nethlnd.	2.9895-3.0005	2.9900-3.0155	0.55-0.53c pm	2.18	1.78-1.67 pm	2.25
Belgium	53.85-54.28	53.90-54.90	2-3c dis	−0.55	11-13 dis	−0.89
Denmark	9.6520-9.7330	9.6720-9.6730	¼-¾ore dis	−0.62	1¾-2¾ dis	−8.57
W. Ger.	2.6500-2.6795	2.6595-2.6605	0.81-0.79pf pm	3.61	2.40-2.35 pm	3.58
Portugal	167-170	167-169	25-250c dis	−9.76	375-1050dis	−16.86
Spain	161.15-162.70	161.80-161.90	55-75c dis	−5.42	180-260 dis	−5.12
Italy	1800¼-1800¾	1793-1800½	7-8lire dis	−5.61	22-23 dis	−5.01
Norway	7.9100-7.9700	7.9270-7.9280	2¾-3¼ore dis	−4.54	8¾-9¾ dis	−4.54
France	8.11½-8.12½	8.09½-8.16¼	1.40-1.70c dis	−2.29	0.50-6.25dis	−2.89
Sweden	7.9930-8.0410	7.9970-7.9980	5-5½ore dis	−7.87	14¾-15¾ dis	−7.50
Japan	219.40-223.00	220.15-220.25	0.23-0.18y pm	1.11	0.82-0.77 pm	1.44
Austria	18.63-18.79	18.63-18.68	5-4¼gro pm	2.97	14-11½ pm	2.73
Switz.	2.1770-2.1790	2.1700-2.1980	0.65-0.60c pm	3.44	1.93-1.88 pm	3.49

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 54.45-54.55.

OTHER CURRENCIES

Sept 26	£	$		£ Note Rates
Argentina Austl.	1.1496-1.1519	0.8000-0.8010	Austria	20.90-27.20
Australia Dollar	2.0000-2.0040	1.3895-1.3916	Belgium	78.10-70.00
Brazil Cruzeiro	11,100-11,166	7,785-7,7765	Denmark	15.90-14.03
Finland Markka	8.1809-8.3110	6.7035-5.7055	France	11.64-11.78
Greek Drachma	186.11-190.15	129.20-131.00	Germany	3.81-3.84
Hongkong Dollar	11.2000-11.2200	7.7825-7.7878	Italy	2075-2820
Iran Rial	120.50*	89.10*	Japan	317-320
Kuwait Dinar (KD)	0.4275-0.4285	0.29685-0.29695	Netherlands	4.30-4.34
Luxembourg Fr.	78.35-78.45	54.45-54.55	Norway	11.38-11.50
Malaysia Ringgit	3.5080-3.5120	2.4300-2.4350	Portugal	235-250
New Zealand Dlr.	2.6460-2.6560	1.8380-1.8450	Spain	225-236
Saudi Arab Riyal	5.2595-5.2650	3.6500-3.6510	Sweden	11.49-11.60
Singapore Dollar	3.0680-3.0880	2.1300-2.1400	Switzerland	3.14-3.17
Sth African Rand	3.5645-3.8131	2.4875-2.5000	United States	1.43-1.45
U.A.E. Dirham	5.2910-5.2865	3.6720-3.6730	Yugoslavia	475-515

* Selling rate.

Rand Financial rate: 2.8170-2.8885 ($) and 4.0520-4.1695 (£).

CURRENCY MOVEMENTS

Sept. 26	Bank of England Index	Morgan Guaranty Change %
Sterling	82.0	−8.5
U.S. dollar	131.6	+19.4
Canadian dollar	84.7	−8.1
Austrian schilling	118.4	+5.0
Belgian franc	91.8	−10.2
Danish Kroner	80.0	−5.5
Deutsche mark	128.0	+0.8
Swiss franc	161.0	+15.3
Guilder	117.8	+5.3
French franc	68.6	−12.8
Lira	44.0	−20.1
Yen	165.7	+17.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Sept. 26	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.735874	0.579461
U.S.$	7½	1.05081	0.835293
Canadian $	0.87	*	1.15282
Austria Sch.	4	19.8234	15.6116
Belgian Fr.	9½	57.1611	45.0181
Danish Kr.	7	10.2660	8.07728
D mark	4	2.82069	2.21871
Guilder	5	3.17660	2.50045
French Fr.	9½	8.59258	6.77423
Lira	15½	1903.09	1500.81
Yen	5	236.861	183.764
Norway Kr.	8	8.43291	6.81761
Span'h Pta.	—	171.904	135.443
Swedish Kr.	10½	8.52414	6.68876
Swiss Fr.	4	2.31180	1.82052
Greek Dr'ch	20½	138.176	108.588
Irish Punt	13½	N/A	0.716990

*C$/SDR rate for September 25: 1.42473

EXCHANGE CROSS RATES

Sept. 26	Pound St'ling	U.S. Dollar	Deutschemk.	J'panese Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.432	3.828	316.8	11.68	3.133	4.316	2590.	1.950	77.60
U.S. Dollar	0.588	1.	2.661	220.2	8.130	2.178	3.000	1800.	1.356	53.98
Deutschemark	0.261	0.376	1.	82.76	3.052	0.818	1.127	676.7	0.509	20.27
Japanese Yen 1,000	3.157	4.541	12.08	1000.	36.86	9.890	13.62	8177.	6.156	245.0
French Franc 10	0.856	1.839	3.277	271.2	10.	8.682	3.694	2217	1.670	66.44
Swiss Franc	0.310	0.459	1.222	101.1	3.720	1.	1.377	826.8	0.623	24.77
Dutch Guilder	0.232	0.333	0.887	73.41	2.707	0.728	1.	600.2	0.452	17.98
Italian Lira 1,000	0.386	0.555	1.478	122.3	4.510	1.209	1.666	1000.	0.753	20.96
Canadian Dollar	0.513	0.738	1.963	162.4	5.990	1.606	2.213	1328.	1.	39.79
Belgian Franc 100	1.289	1.854	4.052	408.2	15.05	4.037	0.561	3338.	2.513	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Sept. 26	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	11⅛-12	7¾-7⅞	7⅛-7⅜	5⅝-5¾	1-1⅛	4⅞-4⅞	9¼-9½	12-15	8¼-8¾	8⅛-8¾	8⅞-7	8-9⅛
7 days' notice	11⅞-12	7⅞-7⅞	7¾-8	5⅞-5⅞	11½-11¾	4⅞-4⅞	8⅝-8⅝	12-15⅛	8⅛-9	8¾-9	7½-7¾	9-9⅛
Month	11⅝-11¾	7⅞-7⅞	7⅝-8	5⅞-5⅞	4⅞-4⅞	4⅝-4½	9⅝-9⅞	12½-13⅛	8¾-9	8¾-9	6⅝-6⅞	8⅞-9⅛
Three months	11⅜-11½	7⅞-8⅛	8⅛-8¾	5⅞-5⅞	4½-4⅝	4⅜-4½	10⅛-10¾	13-13⅛	8-8¼	8-9¼	6⅜-6½	8⅞-9⅛
Six months	11⅛-11¼	8⅛-8¼	8⅛-8⅛	5⅞-5⅞	4⅞-4⅞	4⅝-4¾	11⅛-11⅜	12⅞-13⅝	9⅝-9⅝	9⅝-9⅝	6⅞-6½	8⅞-9⅛
One year	10⅞-11⅛	8⅜-8½	8⅝-9	6⅛-6⅛	4⅝-4¾	4⅝-4¾	11¼-11½	13⅛-14	9⅝-9⅞	8½-9¾	6⅛-6⅛	9-9½

Asian $ (closing rates in Singapore): Short-term 7¾-7⅞ per cent; seven days 7¾-7⅞ per cent; one month 7⅞-8 per cent; three months 8-8⅛ per cent; six months 8⅛-8⅛ per cent; one year 8⅛-8½ per cent. Long-term Eurodollars: two years 9⅛-9⅜ per cent; three years 9¾-10 per cent; four years 10⅛-10¼ per cent; five years 10⅛-10½ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

FINANCIAL FUTURES

Below best levels

Eurodollar and U.S. Treasury bond prices ended slightly stronger on the London International Financial Futures Exchange yesterday. December Eurodollars opened 13 points higher at 91.94, the highest level of the day, after the Federal Reserve added liquidity to the New York banking system overnight, when Federal funds were trading at under 8 per cent. There was good support at 91.90, but after a dull Chicago opening the contract fell to finish just above the day's low at 91.84, compared with 91.81 previously.

U.S. Treasury bonds for December delivery began firm at 76-03, after strong buying of U.S. bonds in Tokyo. The contract touched a day's peak of 76-08, but also closed just above the low at 75-23, against 75-17 on Wednesday. The downward trend in the afternoon reflected fears about a weaker dollar, and possible problems in funding the U.S. Treasury deficit.

December short sterling deposits failed to maintain early strength, closing just off the day's low after the pound had shown a disappointing performance against Continental currencies on the foreign exchanges.

Gilt futures finished around the middle of the day's range, after an attempt in the cash market to move up to the Government broker's tap level.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Dec	91.84	91.94	91.83	91.81
March	91.48	91.52	91.47	91.45
June	91.10	91.10	91.09	91.90
Sept	90.74	90.78	90.71	90.67
Dec	90.42	—	—	90.35
March	90.12	—	—	90.90
June	89.94	—	—	89.77

Est volume 6,289 (4,737)
Previous day's open int 19,025 (18,798)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
Dec	89.39	89.45	89.37	89.32
March	89.70	89.73	89.66	89.63
June	89.90	89.70	89.91	89.63
Sept	89.63	89.62	89.61	89.63
Dec	89.63	—	—	89.62

Est volume 2,879 (2,207)
Previous day's open int 5,079 (5,966)

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Sept	113-06	113-08	113-04	112-24
Dec	113-04	113-10	112-31	113-28
March	113-06	—	—	112-28

Est volume 2,622 (905)
Previous day's open int 3,945 (4,012)
Basis quote (clean cash price of 13½% Treasury 2004/08 less equivalent price of near futures contract) −6 to +4 (32nds).

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

	Close	High	Low	Prev
Dec	98-24	98-29	98-22	98-18
March	98-40	—	—	98-34

Est volume 884 (428)
Previous day's open int 1,149 (1,172)

STERLING £25,000 $ per £

	Close	High	Low	Prev
Dec	1.4310	1.4332	1.4250	141.65
March	1.4225	—	—	140.85
June	1.4155	—	—	140.20

Est volume 209 (110)
Previous day's open int 2,780 (2,768)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
Dec	0.3790	0.3795	0.3773	0.3719
March	0.3821	—	—	0.3751

Est volume 94 (50)
Previous day's open int 381 (377)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
Dec	0.4622	0.4625	0.4614	0.4531
March	0.4660	—	—	0.4569

Est volume 7 (58)
Previous day's open int 114 (114)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
Dec	0.4546	0.4558	0.4504	0.4376
March	0.4585	—	—	0.4397

Volume 10 (35)
Previous day's open int 126 (121)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
Sept	127.60	127.85	127.10	127.60
Dec	128.55	128.70	128.90	128.60

Est volume 783 (459)
Previous day's open int 1,708 (1,934)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Dec	75-23	76-08	75-21	75-17
March	74-22	74-28	74-28	74-15

Est volume 3,693 (1,811)
Previous day's open int 2,816 (4,219)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Dec	75-21	76-05	75-20	75-20
March	74-17	74-31	74-16	74-16
June	73-10	74-00	73-15	73-14
Sept	72-15	73-01	72-15	72-14
Dec	71-78	71-30	71-16	71-17
March	70-25	70-27	70-25	70-22
June	70-01	70-11	70-01	69-29
Sept	—	—	—	—
Dec	68-21	68-21	68-21	68-17
March	—	—	—	67-30

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	92.96	92.06	92.95	93.01
March	92.62	92.69	92.61	92.68
June	—	92.32	92.22	92.29
Sept	—	—	—	91.94
Dec	91.60	91.64	91.60	91.62
March	91.33	—	91.33	91.34
June	91.05	—	91.90	91.06
Sept	—	91.91	91.91	91.94

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	—	—	—	92.31
Dec	—	92.25	92.16	92.21
March	91.79	91.79	91.78	91.91
June	91.43	91.46	91.43	91.39

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	91.83	91.94	91.82	91.87
March	91.47	91.57	91.45	91.48
June	91.06	91.14	91.06	91.07
Sept	—	—	—	—
Dec	90.38	90.41	90.38	90.34
March	90.05	90.09	90.90	90.61
June	—	89.78	89.74	89.71
Sept	—	90.70	89.49	90.69

STERLING (IMM) $s per £

	Latest	High	Low	Prev
Dec	1.4315	1.4335	1.4255	1.4345
March	1.4230	1.4260	1.4190	1.4265
June	—	1.4200	1.4150	1.4205

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Dec	76-15	76-28	76-15	76-12
March	75-18	75-24	75-19	75-17
June	74-27	75-08	74-27	74-23
Sept	73-29	74-00	73-29	73-26

LIFFE OPTIONS REPORT

Sterling Currency—£25,000 c per £. Sterling rose against a weakened dollar but not as much as compared with other currencies.

Est volume Calls	Est volume Puts	Previous day's open interest Calls	Previous day's open interest Puts
1981	222	6236	5480

Eurodollar Future—points of 100%. Rates eased following higher close on U.S. credit markets.

Est volume Calls	Est volume Puts	Previous day's open interest Calls	Previous day's open interest Puts
40	140	1439	1472

For full details of settlement prices call:
Louise Powell of LIFFE on 01-623 0444
LIFFE, ROYAL EXCHANGE, LONDON EC3V 3PJ

Company Notices

MONEY MARKETS

German interest rates unchanged

Interest rates were left unchanged at the council meeting at the council meeting of of the German Bundesbank yesterday. There was little surprise when credit policies were unchanged and the discount rate remained at 4 per cent, with the Lombard rate at 5½ per cent. It was a major day for German statistics. The cost of living rose a provisional 0.2 per cent in September from August, to stand 2.3 per cent higher than a year ago. In August the price index fell 0.3 per cent, to give an annual inflation rate of 2.1 per cent. The August trade figures were also rather disappointing, with the current account balance of payments falling into deficit of DM 800m, after an upward revised July surplus of DM 2.4bn. The trade surplus in August narrowed to DM 3.3bn from DM 6.8bn. Initial reaction to the trade figures was one of disappointment, but distortions were caused by a number of special and seasonal factors, including holidays in the motor industry.

Call money was steady at 4.45 per cent in Frankfurt, in comfortable conditions, with banks holding high minimum reserve requirements towards month end. The credit position is expected to tighten today, however, as up to DM 7bn is paid out in pension demands on behalf of customers.

The London money market was very quiet. A shortage of £50m was initially forecast by the Bank of England, but this was later changed to £100m. Total help of £130m was provided.

No assistance was provided before lunch, but in the afternoon the authorities bought £85m bills outright, by way of £3m bank bills in band 1 (up to 14 days maturity) at 11⅜ per cent; £80m bank bills in band 2 (15-33 days) at 11⅝ per cent; and £2m bank bills in band 3 (34-63 days) at 11¼ per cent.

Late help of £45m was also given to the market.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £215m, with the unwinding of repurchase agreements absorbing £240m, and a rise in the note circulation £20m. These outweighed Exchequer transactions adding £410m to liquidity, and bank balances above target by £25m.

In the interbank market three-month money rose to 11⅝-11¼ per cent from 11⅝-11⅞ per cent, but discount houses buying rates for three-month bank bills fell to 11 per cent from 11⅛ per cent.

UK clearing banks base lending rate 11½ per cent since July 30.

MONEY RATES

Sept. 26	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	4.4-4.5	9⅝	64½-65½	5⅞-5⅝	6.84370	14⅛-14⅛	8.80	8¾-10
One Month	4.55-4.65	9⅛-9½	4⅞-4⅞	5⅞-5¾	6.69370	13⅞-14¼	8¾-8	8⅝-8⅞
Two Months	4.6-4.7	9⅞-0⅞	—	—	0.40625	—	—	8¾-10
Three Months	4.6-4.7	0⅞-8⅞	4⅞-4⅞	5⅞-0⅞	6.40625	14-14⅛	8⅛-0⅞	9⅞-10⅛
Six Months	4.65-4.80	9⅛-9⅝	—	5⅞-5⅞	—	—	0⅜-9⅝	10¼-10½
Lombard	5.5	—	—	—	—	—	—	—
Intervention	—	9⅝	—	—	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

[illegible]

FT LONDON INTERBANK FIXING

(11.00 a.m. Sept. 26)

Three months U.S. dollars

bid 7 7/8 offer 8

Six months U.S. dollars

bid 8 1/16 offer 8 3/16

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

[illegible]

MONEY RATES

NEW YORK (Lunchtime)

[illegible]

Treasury Bills

[illegible]

Treasury Bonds

[illegible]

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, September 25, 1985. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America Economics Dept., E.M.E.A. London
Eurodollar Libor as of September 25 at 11.00 a.m.
3 months: 8⅛ 6 months: 8 3/16

ECU=$US.820401 SDR1=$US1.0488
Sibor as of September 25 at 11.00 a.m.
3 months: 8⅛ 6 months: 8 3/16

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.80
Albania	Lek	7.0660
Algeria	Dinar	4.885
Andorra	Fr. Franc	8.2716
	Sp. Peseta	163.50
Angola	Kwanza	29.818
Antigua	E. Caribbean $	2.70
Argentina	Austral (8)	0.801
Australia	Dollar	1.4108
Austria	Schilling	10.04
[illegible]	[illegible]	[illegible]

COUNTRY	CURRENCY	VALUE OF DOLLAR
Grenada	E. Caribbean $	2.70
Guadaloupe	Franc	8.2715
Guam	U.S. $	1.00
Guatemala	Quetzal (o)	1.00
	Quetzal (h, f)	3.7734
Guinea Bissau	Peso	147.523
Guinea Rep	Syli	23.5367
Guyana	Dollar	4.10
Haiti	Gourde	5.00
Honduras Rep.	Lempira	2.00
[illegible]	[illegible]	[illegible]

COUNTRY	CURRENCY	VALUE OF DOLLAR
Paraguay	Guarani (o.c.)	240.00
	Guarani (d)	750.00
Peru	Sol (o) (2)	13942.
Philippines	Peso	18.08
Pitcairn Is.	N.Z. Dollar	1.8366
Poland	Zloty (o) (3)	103.05
Portugal	Escudo	169.00
PuertoRico	U.S. dollar	1.00
Qatar	Riyal	5.641
Reunion, Il de la	Fr. Franc	8.2715
[illegible]	[illegible]	[illegible]

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1985 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
101	99	Exch 12¼pc 1985	99		12.26	11.75
101	99	Exch 11¼pc '86	100	+	11.72	10.74
99	97	Treas 10pcCnv 1986	99	+	10.03	10.50
96	92¼	Treas 3pc 1986	96		3.11	8.90
100	97½	Exch 10½pc Cv '86	99		10.53	10.81
101	99¼	Treas 12pc 1986	100		11.91	10.76
98	94	Treas 8¾pc 1984-86	98		8.64	10.63
105	102	Exch. 14pc 1986	103	+	13.54	10.69
94	87	Exch 7¾pc 1986	94	+	2.64	7.61
104	101	Exch 13¼pc 1987	103	+	12.86	10.60
99	96	Treas 10¼pcCv '87	99	+	10.29	10.48
93	85½	Exch 2½pc 1987	92		2.69	7.87
100	96	Exch. 10½pc 1987	100	+	10.50	10.48
94	89	Funding 6½pc '85 87	94		6.85	10.16
99	95½	Treas 10pc 1987	99	+	10.09	10.57
91	84¼	Treas 3pc 1987	91		1.27	8.05
102	99	Treas. 12pc 1987	102	+	11.70	10.55
95	90¼	Treas 7¾pc 1985-88	94	+	8.17	10.27
100	95	Exch 10½pc '88	99	+	10.52	10.54
98	93	Treas 9½pc Cv '88	90	+	9.95	10.59
86	80	Transport 3pc 78-88	86	+	3.46	8.56

[illegible]

AMERICANS—Cont.

[illegible]

BUILDING, TIMBER, ROADS—Cont.

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

ENGINEERING

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

MINES—Continued

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

High	Low	Stock	Price	+ or -	Div Net	Cvr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
55	30	Anglo-Dominion	30		—	—	—
For Anglo Utd Dev see Recent Equities							
350	117	♥Centennial Mnr'ls.	172	-5	—	—	—
120	50	♥Colby Res Corp.	55	+5	—	—	—
550	287	Cons. Murch. 10c	300		g086½c	3.9	7.5
40	29	♥Emex Inc. h10p	30		—	—	—
215	115	Hampton Areas 10p	140	+5	5.75	0.9	3.6
260	135	♥Highwood Res.	160	-10	—	—	—
£22½	£17½	Homestake Mining $1	£17¾	-⅛	Q20c	—	0.8
310	155	♥McFinley Red Lake	155	-7	—	—	—
335	195	♥Mosto Explorations	260		—	—	—
55	23	♥New Sabina Res. C$1	33		—	—	—
375	235	Northgate C$1	235	-5	—	—	—
685	538	RTZ	542	+2	120.0	2.8	5.3
£145½	£116½	Do. 9½pcLn '95-2000	£121		Q9½%	14.0	0.0
975	910	♥Tara Expln $1	910	-25	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ■ "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ✚ USM: not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- $ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast
- ◆ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend. P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. H Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or -	Stock	Price	+ or -
Albany Inv 20p	98	.....	Arnotts	210	.....
Craig & Rose £1	780	..	CPI Hldgs	58	-2
Finlay Pkg. 5p	51	-1	Carroll Inds.	135	..
Higsons Brew	235	...	Dublin Gas	75	+2
Holt (Jos) 25p	730	..	Hall (R. & H.)	62xd	.....
IoM Stm. £1	90	-2	Heiton Hldgs.	22	.....
IRISH			Irish Ropes	46	...
Fund 11¼% 1988	£101¼	.	Jacob (W.& R.)	85	.....
Nat. 9¾% 84/89	£97¾	.	Unidare	107	...
Fin 13% 97/02	£107¾				

"Recent Issues" and "Rights" Page 34
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LONDON STOCK EXCHANGE

MARKET REPORT

Equities continue downward drift in thin trading but Gilts up on currency influences

Account Dealing Dates

Option *First Dealings	Declara-tions	Last Dealings	Account Day
Sept 16	Sept 26	Sept 27	Oct 7
Sept 30	Oct 10	Oct 11	Oct 21
Sept 2	Sept 12	Sept 13	Sept 23

* "New-time" dealings may take place from 9.30 am two business days earlier.

Overnight dullness on Wall Street — the Dow Jones industrial index fell over nine points against a backdrop of doubts about the strength of the American economy — set the scene for another drab display by London equity markets yesterday.

The transatlantic setback, which came on a domestic market already lacking any fresh investment incentive, was quickly reflected in lower quotations for blue chip industrials as sellers again made their presence felt in early trading.

Offerings were fairly light but, with buyers unwilling to commit themselves as the end of the Account approached, the tone gradually deteriorated. Major exporters like ICI, Pilkington and GEC came under pressure as various stockbroking analysts' downgraded their profits projections for overseas earners in the wake of the pound's continuing strong performance against the dollar.

Reflecting the trend, the Financial Times ordinary share index drifted down to stand 4 points lower at 3.00 pm before modest "new-time" buying interest afterhours' for selected leaders helped the measure recover to close the session 1.5 lower at 979.1. Overall conditions were very quiet and scattered features that did emerge came as a result of corporate trading statements or speculative activity.

Allied Lyons fell in the latter category, attracting a strong speculative demand on further consideration of Wednesday's late revelation from Impala Group that it is considering an invitation to join Elders IXL's proposed consortium bid for the group. Vickers were higher at one stage following the interim profits which were pitched at the top end of expectations, while British Aerospace edged forward on news of the signed Saudi Arabian aircraft deal.

Modest buying of Government securities on hopes that any further progress made by the pound as a result of last weekend's Group Five agreement could enable the Chancellor to cut interest rates left gains of around ½ at the longer end, and ¼ in the shorts. The FT Government Securities index closed 0.27 up at a new 1985 peak of 84.06.

Composites nervous

Composite Insurances became nervous as Hurricane "Gloria" approached the Florida coast. Royals lost 10 to 650p and GRE fell 6 to 667p, while Sun Alliance relinquished 5 at 450p and General Accident softened 4 at 608p.

Profit-taking left Discount Houses easier throughout the list. Cater Allen, 490p, Gerrard and National, 305p, and Union, 640p, all lost 10.

Just Rebber made a quiet debut in the Unlisted Securities Market; the shares opened at the placing price of 62p and edged up to 64p. National Home Loans Corporation settled at 46p, a 4p discount to the partly-paid issue price of 50p; the 8 per cent Convertible closed at £47¾ compared with the partly-paid issue price of £50.

Another active and two-way business developed in Allied-Lyons which closed at the year's best of 291p, a gain of 8 on the session, as investors attempted to evaluate Imperial Group's possible participation in the Elders-led consortium. Elsewhere in the drinks sector, occasional "new-time" support lifted Invergordon 4 to 159p, but speculation of a Seagrams-Argyll consortium bid failed to impress Distillers which eased from an initial 390p to 387p, a net gain of only 2.

Leading Buildings made an irregular showing. Redland lost 6 to 299p following the chairman's cautious statement at the annual meeting, but George Wimpey displayed a technical rise of 6 at 121p, after 123p, in the wake of the interim results. Rugby Portland Cement softened a couple of pence to 123p ahead of Monday's half-timer, while Ibstock Johnsen, half-year results due on October 7, lost 6 to 142p. Aberdeen Construction fell 8 to 172p following disappointing interim profits, but McLaughlin and Harvey gained 6 to 116p in reply to the good mid-term figures and confident statement. The interim profits standstill left Manders a couple of pence off at 190p, but a newsletter recommendation stimulated revived support for Countryside which firmed d to 286p.

ICI fluctuated narrowly around the year's low of 630p prior to closing a couple of pence off at 632p. Allied Colloids remained on offer in the wake of a broker's adverse circular and shed 5 more to 125p, while Anchor Chemicals gave up 6 to 213p.

Lack of investment incentive made for yet another lacklustre session among leading Retailers. Marks and Spencer, 158p, and Woolworth, 473p, hardened a few pence apiece, but Combined English Stores encountered further profit-taking in the wake of the interim results and fell 2 more to 155p. Among secondary Stores, Grattan attained a new high of 320p but later settled only 2 up on balance at 316p following the first-half figures. Empire, due to wind up the mail-order dividend season next Thursday, gave up 4 to 148p. W.W. hardened a few pence to 148p on the interim results, but Bentalls, also announcing mid-term figures, fell 3 to 110p. USM-quoted John Kent added 4 at 58p following a freehold property purchase.

Leading Electricals proved resilient despite yet another leading broker's downgrading of a major concern. This time GEC were the subject of a revised forecast from de Zoete and Bevan, but only finished 2 off on balance at 158p. Thorn EMI recently downgraded by Rowe and Pitman, fell 7 afresh to 354p. Elsewhere, another sharp reminder of the problem currently besetting the high-technology sector was provided by Micro Business Systems which slumped to 45p before settling a net 27 lower at 50p following the halved interim profits. Logica were again nervous ahead of next Tuesday's full-year results and dipped 4 more to 146p, while renewed profit-taking left Continental Microwave 7 off at 373p. By way of contrast, A. B. Electronic jumped 22 to 260p in the wake of the annual statement, while Dowding and Mills advanced 5 to 74p after the increased annual profits. Revived speculative interest was evident for Oceonics which touched 62p before closing 11 higher on balance at 59p.

Interim results from Vickers were up to market expectations and the shares touched 282p before easing back to close a net 4 off at 274p. Elsewhere in Engineerings, Spear and Jackson added 6 to 162p on further consideration of the recent good results, while Adwest Group, due to report shortly, improved 6 to 188p. Profit-taking lowered Thomas Robinson 6 to 116p.

Food Retailers continued to give ground on lack of interest. Tesco shed 5 to 250p and J. Sainsbury 4 to 320p, while end-Account offerings in the absence of any bid developments left Argyll 5 off at 323p and Kwik Save 6 down at 210p. William Low slipped 10 to 625p, but takeover favourite Normans attracted "new time" demand and firmed a penny to 76½p. Elsewhere, Somportex continued to forge ahead on asset injection hopes and advanced 14 afresh to 124p. Weld, on the other hand, remained a depressed market in the wake of the poor interim figures and warning about second-half profits and shed 7 for a two-day fall of 31 to 65p. Bio-Isolates lost 5 to 36p on profit-taking.

Pilkington fall

British Aerospace firmed 4 more to 422p on confirmation that Saudi Arabia had ordered a further 24 Tornados from the company, lifting the total value of the military aircraft deal signed yesterday close to £4bn. Other miscellaneous industrial leaders continued to trade cautiously and usually closed a few pence cheaper. Pilkington, however, were a notable casualty as a broking house downgraded its profits estimate and the shares fell away to close and a couple of pence dearer at 194p. Unilever lost ½ to £10 on news that it was prepared to increase its offer for Richardson-Vicks of the U.S. to $60 per share 15 down at a year's low of 248p. Glaxo softened ¼ to £12½, but Hanson were a steadier market if the bid received approval from the latter's board. Elsewhere, AGB Research shed 6 to 209p following the acquisition of the outstanding 31 per cent of Australia's McNair Anderson Associates for A$9.5m. Stag Furniture gained 5 to 64p in reply to the increased interim profits, but Whatman Reeve Angel lost 15 to 210p after disappointment with the mid-term figures. Bespak, a firm feature late on Wednesday following news that its dispute with a UK company had been settled, came back 25 to 150p. Granada attracted support following a broker's circular and rose 6 to 178p, while Courtney Pope moved up 25 to 380p in a restricted market. Celtic Haven gained 6 to 85p on revived speculative demand.

Motor Components took a turn for the better. Buyers returned for Armstrong Equipment which touched a 1985 peak of 61p before closing 5 up on balance at 60p. Confirmation of the Saudi Arabian military aircraft contract prompted support of Lucas, 7 up at 378p, and Dowty, 3 higher at 194p. Distributors attracted selective speculative demand. Dealing resumed in Arlington at 225p—a rise of 58 on Wednesday's suspension price — in response to the cash offer from Unigate. Interest was also apparent in Kenning, 124p, and T. Cowie, 74p, up 4 and 5 respectively and both at new 1985 peaks.

Among Publishers, Fleet gave up a few pence to 358p as hostile bidder United Newspapers extended its offer until 18 October after receiving minimal acceptances. Associated Book Publishers eased 3 more for a two-day decline of 27 at 233p on the disappointing half-timer. In contrast, revived interest was noted for Bristol Evening Post, 30 to the good at 520; it was revealed late last week that Kent Holdings controls around 15 per cent of the equity. Paper/Printings highlighted DRG which rose 8 to 190p ex-the-rights issue; the new nil-paid shares opened around 15p premium and soon advanced to finish at 22p premium. Waverley Cameron, up to 168p initially, settled a net 5 cheaper at 160p awaiting today's interim statement.

Business in the Property sector expanded from the previous day's low level and the leaders, after opening a shade lower, picked up to close with modest gains on balance. Land Securities were finally 2 dearer at 300p, after 297p. Among the second liners, Marler Estates firmed 5 to 142p in reply to Press comment, while Control Securities hardened ½ to 25p, after 26p following the acquisition of a warehouse and office property in Chadwell Heath, Essex. USM-quoted York Mount shed 4 to 42p, after 40p, on the interim profits downturn.

Among relatively subdued Financials, Mills and Allen International hardened 10 to 355p in reply to the increased full-year profits. Smith Bros, firm of late amid talk that Rothschilds' 24 per cent shareholding may be changing hands, eased a couple of pence to 143p, while IFICO, still unsettled by the warning on profit margins that accompanied the preliminary results, shed 5 more to a 1985 low of 130p.

Oils easier

Business in leading oils remained at minimal levels in the run-up to the October 3 meeting of OPEC oil ministers. Shell dipped 5 more to 660p, despite news of another oil discovery off the coast of China, while BP eased a shade to 527p. LASMO gave up 3 more to 263p—a three-day fall of 15—reflecting fading bid hopes. Secondary oils continued to ease mainly on lack of interest and Falcon Resources dipped 3 to 50p, as did Jackson Exploration, 27p.

Golds down again

South African sectors of mining markets continued to lose ground yesterday. Golds drifted easier from the outset, on further consideration of the UKs agreement to join the EEC in imposing a package of military and political sanctions against South Africa. Selling was by no means substantial, but sterling quotations remained under persistent pressure during the afternoon as the pound gained further ground against the dollar. Consequently the Gold Mines index, calculated in sterling terms, eased 4.8 more to 301.5, extending the fall over the past three days to 11.4.

Among the leading Golds Vaal Reefs proved especially vulnerable and dropped £1½ to £49½, while falls of around a point were common to Randfontein, £56, Southvaal, £22¾ and Free State Geduld, £14½.

Financials showed minor changes in either direction. Rio Tinto-Zinc fell away to 538p, following comment on the interim results, but later rallied to close 2 harder on balance at 542p.

In South African financials, Gold Fields of South Africa lost 25 to 834p, reflecting Cape selling, while "Amgold" eased ½ to a year's low of £46¾.

Australians rose strongly in overnight Sydney and Melbourne markets and London was quick to follow. CRA led the leaders higher and settled 8 firmer at 272p, while gains of around 5 were common to MIM, 128p, North Broken Hill, 125p, and Gold Mines of Kalgoorlie, 510p.

FINANCIAL TIMES STOCK INDICES

	Sept. 26	Sept. 25	Sept. 24	Sept. 23	Sept. 20	Sept. 19	year ago
Government Secs	84.06	83.70	83.77	84.02	83.39	83.19	80.83
Fixed Interest	89.30	89.15	82.10	62.16	88.86	88.55	84.11
Ordinary ♥	979.1	980.6	962.7	995.3	1008.2	1007.8	872.0
Gold Mines	301.5	306.3	310.9	312.9	610.6	308.6	656.7
Ord. Div. Yield	4.86	4.85	4.83	4.79	4.75	4.72	4.79
Earnings, Yld. %(full)	11.92	11.89	11.82	11.75	11.65	11.57	11.41
P/E Ratio (net) (*)	10.39	10.42	10.44	10.54	10.65	10.70	10.83
Total bargains (Est.)	20,013	21,213	01,009	81,175	21,040	20,647	15,062
Equity turnover £m.	—	343.26	404.50	401.01	364.25	373.30	334.61
Equity bargains	—	16,454	18,162	18,717	12,471	16,265	18,167
Shares traded (ml)	—	173.0	207.7	121.7	167.2	178.2	206.2

♥ 10 am 978.3. 11 am 978.2. Noon 977.3. 1 pm 976.8. 2 pm 978.6. 3 pm 975.6. 4 pm 978.0.

Day's High 979.2. Day's Low 976.2

Basis 100 Govt. Secs. 13/10/28. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activities 1974.

Latest Index 01-246 8026.

* Nil = 10.01.

HIGHS AND LOWS

—	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	84.06 (26/9)	76.02 (28/1)	127.4 (9/1/35)	42.18 (3/1/75)
Fixed Int.	80.20 (26/9)	82.17 (28/1)	150.4 (28/11/47)	50.66 (3/1/75)
Ordinary	1024.5 (22/1)	211.0 (25/7)	1024.2 (22/1/85)	49.4 (26/6/40)
Gold Mines	536.2 (15/4)	280.1 (28/8)	734.7 (15/2/83)	43.6 (26/10/71)

S.E. ACTIVITY INDICES

	Sept. 25	Sept. 24
Daily Gilt Edged Bargains	139.4	146.0
Equities Bargains	106.2	117.7
Value	693.8	817.8
6 day Average Gilt Edged Bargains	149.3	138.0
Equities Bargains	113.4	116.2
Value	769.8	774.2

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
AB Electronic	260	+22
Armstrong Equip.	60	+ 5
Bowater Inds.	312	—
Celtic Haven	85	+ 6
Diploma	190	—
Grattan	316	+ 2
Micro Business Syst.	50	−27
Oceonics	59	+11
Owen Owen	440	+10
Somportex	124	+14
Spear & Jackson	162	+ 8
Wimpey (George)	121	+ 0

WEDNESDAY'S ACTIVE STOCKS

Stock	No. of changes	Wed. close	Day's change
Br. Aerospace	13	416	+10
Stewart Wrtsn.	13	687	+18
Barratt Devs.	12	110	+ 4
Cable & Wire.	12	585	− 3
RTZ	12	540	—
Shell Trans.	12	665	− 2
Argyll Group	11	328	− 8
BAT Inds.	11	258	− 5
ICI	11	634	+ 1
Robinson (T.)	11	122	− 8
Thorn EMI	11	361	+ 4
Royal Insce.	10	660	− 3

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price p	+ or −	Net Div.	Times covered	Gross Yield	P.E. Ratio
§59	F.P.	0/8	66	65	✠ATA Selection 5p	55	−3	bg1.5	2.6	3.6	14.9
67	F.P.	6/9	88	69	✠Aberd'n Steak H. 5p	78	......	ug2.2	2.0	4.0	17.1
§34	F.P.	20/9	41	35	Anglo Utd. Dev.	41	......	bd1.05	2.1	2.6	18.4
—	F.P.	2/10	7	6	Bardsey Pfd. Ord.	7	......	—	—	—	—
183	100	1/11	148	117	Britoil 10p	121	+5	t13.0	3.0	2.0	5.0
‖#	F.P.	—	145	167	Business Mort. Tst.	138	+1	u1.31	3.9	1.6	23.6
§70	F.P.	20/9	75	69	Conrad Hldgs.	74	+1	bg3.5	2.2	6.8	9.6
§51	F.P.	—	52	48	✠Dean Park Hotels	48	......	—	—	—	—
‖‖	F.P.	22/10	122	93	Greenwich Resources	93	......	—	—	—	—
§94	F.P.	30/10	98	90	✠InfraRed 80.10	90	−3	Q3.15c	—	1.7	—
§20	F.P.	27/9	29	25	✠Israel (Jack L.) 4p	27½	−½	80.6	8.3	2.6	23.4
§62	F.P.	—	3	22	✠Just Rubber 10p	64	N/V	61.74	3.2	3.9	25.8
§79	F.P.	8/11	67	80	✠Kewill Systems 5p	81	......	g1.2	4.3	2.1	16.1
§110	F.P.	6/9	116	98	✠Lewmar	110	......	u2.625	3.0	3.4	13.1
100	50	—	46	46	Nat. Home Loans 75p	46	......	—	—	—	—
§180	F.P.	25/10	184	170	✠Questel 10p	170	......	bg4.0	3.3	3.4	12.2
150	F.P.	2/8	122	82	✠Sapphire Petm.50p	82	......	—	—	—	—
**	F.P.	—	17	15	Vantage Secs. : rrnts	18	......	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price £	+ or −
87.306	£30	—	31⅛	29⅝	Australia 8½% Ln. 2012	21⅛	+⅛
§21.443	£30	17/1	28¼	27½	Bank of Greece 10¾% Ln. 2010	28¼	+¼
§96.456	£25	27/11	27¼	25⅝	Brixton Est. 10¾% 1st. Mort. Deb. 2025	27¼	+¼
*100	F.P.	28/11	103¾	103½	Eastbourne Water 8¾% Red. Prf. 1995	103¾	......
§98.394	£40	3/12	42¼	40¾	Est. & Gen. Inv. 11¼% 1st Mort. Deb. 2019	43¼	+¼
§97.617	£25	31/1	26⅞	25¾	Evans of Leeds 11% 1st. Mort. Deb. 2025	22⅞	+¼
88.466	£30	24/1	31½	29⅝	Intl. Bk. for Rec. & Dev. 9½% Ln. 2010	31½	+⅛
§100	F.P.	—	26	84½	✠Memory Comp. 7.8% Cnv. R.Pf. 1994/8	85	+8
100	£50	—	50	47¾	Nat. Home Loans 8% Cnv. Uns. Ln. 2005	47¾	N/V
—	F.P.	—	100	99⅞	Nationwide 11¼% Bds. 1/9/86	99⅞	−⅛
—	F.P.	—	100⅛	99⅞	Do. 11⅛% Bds. 15/9/86	100⅛	......

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renunc. Date	1985 High	1985 Low	Stock	Closing price p	+ or −
DM190!	Nil	—	90pm	63pm	BASF A.G. DM 30	60pm	−8
48	Nil	22/11	17pm	14pm	Burns-Anderson 10p	14pm	......
85	Nil	11/11	33pm	20pm	City Site Estates	36pm	......
165	Nil	—	22pm	15pm	ORG	17pm	N/V
210	Nil	22/11	50pm	35pm	Emess Lighting	42pm	+5
11	Nil	11/11	¾pm	¼pm	Greenfield Blacks 10p	¼pm	......
82	F.P.	28/10	100	56	Greenwich Resources	98	......
185	F.P.	28/10	213	184	Hanson Trust	194	......
3	Nil	60/10	7pm	3pm	Howard & Wyndham 3p	3pm	......

Renunciation date usually last day for dealing free of stamp duty. 0 Figures based on prospectus estimates. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment letters or fully paid. ‡‡ Introduction. ✠ Unlisted Securities Market. § Placing price. ‡‡ Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4) (a).

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (65)

BRITISH FUNDS (34)

INT. BK. & O'SEAS GOVT. STLG. ISS. (6)

African Dev. Bk. 11¼pc Ln. 2010 — Int-Am Dev. Bank 9¼pc Ln. 2015

Euro Inv. Bank 10¾pc 2004 — Int. Bk. 13¼pc 1986

NZ 11¼pc 2008 — Sweden 11pc Ln. '12

CORPORATION LOAN (1)

GLC 6¾pc 1990-92

FOREIGN BONDS (1)

Hydro Queb. 15pc '11

AMERICANS (1)

General Foods

BANKS (2)

Commerzbank — Deutsche Bank

BREWERS (1)

Allied-Lyons

BUILDINGS (2)

McLaughlin Harvey — Roberts Adlard

STORES (2)

Grattan — Owen Owen

ELECTRICALS (1)

Newmark (Louis)

ENGINEERING (2)

Priest (Ben) 8pc Cnv. Red. Pref. — Adwest

FOODS (2)

Home Farm — Somportex

INDUSTRIALS (4)

Alexandra Wrkwr. — Marshall (T.) (Lox.)

Courtney Pope — WSL

LEISURE (1)

Owners Abroad

MOTORS (3)

Armstrong Eqpt. — Kenning Motor

Cowie (T.)

NEWSPAPERS (1)

Bristol Evening Post

TRUSTS (1)

Hambro Trust

NEW LOWS (135)

AMERICANS (40)

CANADIANS (9)

BANKS (3)

BUILDINGS (3)

CHEMICALS (2)

STORES (1)

ELECTRICALS (10)

FOODS (5)

INDUSTRIALS (15)

INSURANCE (4)

LEISURE (1)

MOTORS (2)

NEWSPAPERS (1)

PAPER (3)

PROPERTY (1)

TOBACCOS (1)

TRUSTS (15)

OILS (6)

OVERSEAS TRADERS (1)

PLANTATIONS (1)

MINES (10)

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Sept 23	Oct 4	Dec 19	Jan 6
Oct 7	Oct 18	Jan 9	Jan 20
Oct 21	Nov 1	Jan 23	Feb 3

For rate indications see end of Unit Trust Service

Money was given for the call of "The Times" Veneer, Eglinton Oil and Gas, Somportex, Falcon Resources, Bats, Trusthouse Forte, Bestwood, C. H. Bailey, STC, Associated Book Publishers, Silentnight, Amber Day, Southwest Resources, ICC, Terrex and BSG International. No puts were reported, although a double was taken out in Falcon Resources.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

		Thurs Sept 26 1985 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	xd adj. 1985 to date	Wed Sept 25 Index No.	Tues Sept 24 Index No.	Mon Sept 23 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (206)	507.80	−0.5	11.34	4.45	11.06	11.81	510.36	513.82	518.62	528.98
2	Building Materials (22)	533.48	−1.2	12.29	5.00	10.11	13.04	540.04	543.74	547.42	465.08
3	Contracting, Construction (29)	824.61	+0.5	12.34	5.05	10.30	20.76	820.24	823.95	820.79	657.98
4	Electricals (14)	1421.36	−0.6	11.08	5.21	11.57	55.52	1430.28	1442.44	1456.54	1534.65
5	Electronics (38)	1261.88	−0.3	12.07	3.58	10.93	30.05	1265.94	1274.69	1295.27	1970.36
6	Mechanical Engineering (62)	300.10	−0.3	11.18	4.74	10.85	7.55	300.92	302.64	304.51	258.74
8	Metals and Metal Forming (7)	203.42	−0.4	12.89	7.82	9.64	5.75	204.22	206.80	204.52	188.51
9	Motors (16)	168.57	−0.4	13.49	5.04	9.01	4.82	169.29	170.16	171.97	129.69
10	Other Industrial Materials (18)	916.88	−0.9	8.16	3.93	14.67	15.82	924.80	932.29	943.85	699.58
21	CONSUMER GROUP (176)	676.24	−0.1	9.37	3.92	13.35	13.25	676.78	680.86	686.00	535.70
22	Brewers and Distillers (23)	706.59	+1.2	9.77	4.09	12.92	13.84	698.54	696.61	700.46	489.99
25	Food Manufacturing (21)	483.67	−0.3	12.29	5.07	10.50	13.61	484.89	491.88	492.17	418.29
26	Food Retailing (14)	1558.96	−1.2	6.29	2.69	21.58	22.67	1578.51	1615.48	1624.17	1262.40
27	Health and Household Products (9)	1032.86	−0.8	6.72	2.90	17.48	11.93	1041.02	1046.30	1051.34	931.29
29	Leisure (22)	659.57	−0.1	8.57	5.02	15.26	22.96	659.97	664.55	673.35	591.50
32	Newspapers, Publishing (12)	1888.14	−0.2	7.74	4.46	16.56	38.80	1892.76	1900.59	1901.46	1297.54
33	Packaging and Paper (14)	350.51	+0.1	10.21	4.36	11.69	7.49	350.12	354.39	362.21	262.21
34	Stores (42)	703.49	+0.1	7.25	3.05	18.66	9.86	702.60	701.56	706.68	465.54
35	Textiles (26)	328.88	−0.2	13.13	5.08	8.65	8.08	329.60	330.65	332.03	279.18
36	Tobaccos (3)	714.72	—	18.86	6.28	6.04	21.66	714.91	721.84	739.31	743.86
41	OTHER GROUPS (101)	677.26	−0.2	9.42	4.21	13.75	15.03	678.95	682.88	688.99	480.57
42	Chemicals (19)	645.96	−0.6	15.20	5.89	8.70	25.17	649.62	652.95	657.17	637.79
44	Office Equipment (4)	203.28	+0.2	7.88	4.30	15.14	5.79	202.96	203.85	206.25	145.58
45	Shipping and Transport (12)	1179.78	−0.3	8.02	4.56	15.40	36.20	1183.74	1199.31	1195.43	800.22
46	Miscellaneous (64)	815.41	−0.3	7.92	3.98	15.50	15.19	818.11	829.45	837.51	670.55
48	Telephone Networks (2)	899.61	—	8.26	3.61	16.14	14.38	899.13	900.34	910.37	0.0
49	INDUSTRIAL GROUP (483)	639.01	−0.2	9.85	4.12	12.82	13.53	640.35	644.39	649.78	531.08
51	Oils (17)	1108.25	−0.3	17.03	7.91	7.20	59.64	1111.88	1115.98	1125.81	1162.25
59	500 SHARE INDEX (500)	678.64	−0.2	10.77	4.61	11.65	17.22	680.17	684.24	689.99	584.03
61	FINANCIAL GROUP (115)	469.82	−0.2	—	5.15	—	13.25	470.58	474.12	474.98	396.91
62	Banks (6)	455.10	+0.7	19.69	6.50	7.26	19.80	452.00	456.43	458.79	397.41
65	Insurance (Life) (9)	726.77	−0.6	—	4.66	—	16.03	731.34	738.85	737.60	522.27
66	Insurance (Composite) (7)	352.98	−1.0	—	5.58	—	8.58	356.70	359.34	361.65	284.54
67	Insurance (Brokers) (7)	1088.41	−0.5	7.66	5.94	17.46	25.71	1094.21	1096.09	1084.64	843.50
68	Merchant Banks (11)	240.15	−0.7	—	4.70	—	5.80	241.92	243.19	240.85	210.03
69	Property (50)	661.83	+0.2	5.67	3.65	23.67	11.44	660.25	663.23	664.95	599.76
70	Other Financial (25)	276.35	−0.3	10.74	5.96	11.47	9.77	277.10	279.41	280.62	256.16
71	Investment Trusts (106)	573.92	−0.1	—	3.68	—	11.59	574.33	580.40	582.55	539.08
81	Mining Finance (3)	250.37	+0.5	12.97	6.20	8.95	5.36	249.08	248.89	251.52	281.06
91	Overseas Traders (14)	571.51	—	13.09	6.97	9.16	23.86	571.45	573.43	580.51	585.98
99	ALL-SHARE INDEX (738)	618.68	−0.2	—	4.69	—	15.86	619.89	623.82	628.33	536.48

	Index No.	Day's Change	Day's High	Day's Low	Sept 25	Sept 24	Sept 23	Sept 20	Sept 19	Year ago
FT-SE 100 SHARE INDEX	1270.8	−4.4	1272.5	1269.5	1275.2	1280.1	1292.1	1298.7	1306.8	1144.1

FIXED INTEREST

	PRICE INDICES	Thurs Sept 26	Day's change %	Wed Sept 25	xd adj. today	xd adj. 1985 to date
	British Government					
1	5 years	119.78	+0.12	119.63	—	8.49
2	5-15 years	134.45	+0.39	133.93	—	10.08
3	Over 15 years	139.32	+0.44	138.72	—	9.92
4	Irredeemables	153.39	+0.46	152.70	—	8.90
5	All stocks	131.84	+0.31	131.44	—	9.57
6	Debentures & Loans	113.62	+0.17	113.43	—	7.82
7	Preference	81.22	—	81.22	—	5.21
	BRITISH GOVERNMENT INDEX-LINKED STOCKS					
8	All stocks	111.90	+0.04	111.85	—	2.46

	AVERAGE GROSS REDEMPTION YIELDS		Thurs Sept 26	Wed Sept 25	Year ago (approx.)
	British Government				
1	Low	5 years	9.84	9.90	11.03
2	Coupons	15 years	10.06	10.11	10.46
3		25 years	10.07	10.12	10.01
4	Medium	5 years	10.60	10.65	11.69
5	Coupons	15 years	10.38	10.44	10.83
6		25 years	10.08	10.13	10.19
7	High	5 years	10.67	10.73	11.73
8	Coupons	15 years	10.52	10.57	10.99
9		25 years	10.23	10.27	10.29
10	Irredeemables†		9.69	9.73	9.94
11	Debs &	5 years	11.18	11.29	12.09
12	Loans	15 years	11.21	11.24	11.95
13		25 years	11.21	11.19	11.80
14	Preference†		12.07	12.07	13.14
15	Inflation rate	5%	3.52	3.52	3.72
16		10%	3.33	3.33	3.53

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

RISES AND FALLS YESTERDAY

	Yesterday Rises	Yesterday Falls	Yesterday Same	On Wednesday Rises	On Wednesday Falls	On Wednesday Same
British Funds	[illegible]	[illegible]	[illegible]	[illegible]	12	34
Corpns. Dom. & Foreign Bonds	[illegible]	[illegible]	[illegible]	[illegible]	3	57
Industrials	[illegible]	[illegible]	[illegible]	[illegible]	206	304
Financial & Props.	[illegible]	[illegible]	[illegible]	[illegible]	311	807
Oils	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Plantations	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mines	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Others	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Totals	396	785	1,091	394	929	1,466

EUROPEAN OPTIONS EXCHANGE

Series	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	May Vol.	May Last	Stock
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS: 44,807

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Option		Calls Oct.	Calls Jan.	Calls Apr.	Puts Oct.	Puts Jan.	Puts Apr.
B.P. (*526)	500	37	57	65	2	12	20
	550	6	25	33	33	37	42
	600	1½	10	15	77	77	80
Cons. Gold (*447)	390	58	22	70	3	2	13
	420	28	40	47	11	28	33
	460	7	16	30	40	45	54
	500	2	2	17	77	77	82
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Nov.	Calls Feb.	Calls May	Puts Nov.	Puts Feb.	Puts May
Racal (*140)	130	17	24	32	6½	8	10
	140	11	17	24	10½	14	18
	160	4	10	12	24	26	22
	180	1	8	10	44	44	44
R.T.Z. (*544)	600	67	78	—	4	14	—
	550	20	67	30	23	37	45
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

September 26 Total Contracts 7,683 Calls 4,846 Puts 3,318 *Underlying security price.

WORLD STOCK MARKETS

AUSTRIA

Sept. 26 | Price Schs | + or −

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FRANCE

[illegible]

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

CANADA

TORONTO

Prices at 2.30pm September 26

[illegible]

1250	Carolin	350	350	350	+5
1113	Celanese	59	2	9	−¼
9400	CentFd A	[illegible]	[illegible]	[illegible]	
1800	Centrl Tr	$14⅞	14¾	14⅞	
500	Chieftan	$9¼	8⅝	8⅞	−⅝
150	CHUM B f	$42	42	42	+¼
6020	Cominco	$12⅝	12½	12½	
700	Ipaco	$13½	13½	13½	
5300	Jannock	$15½	15¼	15⅜	+⅛
2400	Kerr Add	$15⅛	15	15	−¼
660	Kiena Gld	$24½	24⅜	24⅜	+⅛
2589	Labatt	$27½	27¼	27¼	
19283	LL Lac	$34¼	33⅞	33⅞	−⅛
2900	Lacana	$11¼	11	11	−⅜
32100	Rogers B f	$11⅝	11½	11⅝	+¼
1300	Rothman	$35½	35½	35½	+½
19466	Royal Bnk	$30	29¾	30	+¼
2500	RyTrco A	$19⅝	19¼	19¼	
14358	Royex	293	284	285	−13
2030	Sceptre	$5¼	5¼	5¼	
3300	Scotts f	$26	26	26	
3000	Scotts C	$26⅛	26⅛	26⅛	
28923	Seagram	$53⅝	53¼	53½	−⅛

F—No voting rights or restricted voting rights.

MONTREAL

Closing prices September 25

37170	Cascades	$11¼	11	11⅛	+⅛
1998	ConBath	$16	16	16	−⅛
3191	DomTxtA	$10⅜	10⅛	10¼	+⅛
29517	Gaz Metro	$11	10¾	10⅞	
400	MntTrst	$15	15	15	−⅛
45085	NatBk Cda	$20⅛	20¼	20½	−⅛
33400	Power Corp	$17¼	17	17¼	
9500	Royal Bank	$29⅞	29½	29½	−⅛
101000	RoyTrstco	$19⅝	19¼	19⅜	−¼
600	SteinbrgA	$24½	24	24	−1

Indices

NEW YORK-DOW JONES

	Sept 26	Sept 25*	Sept 24	Sept 23	Sept 20	Sept 19	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	1,313.17*	1,312.85	1,321.11	1,318.31	1,297.94	1,308.78	1359.54 (19/7)	1184.96 (4/1)	1359.54 (18/7/85)	41.22 (2/7/32)
Transport	641.58*	644.31	658.10	658.01	649.34	654.03	702.6 (17/7)	553.03 (4/1)	702.60 (17/7/85)	12.32 (8/7/32)
Utilities	150.13*	151.77	152.80	153.52	152.80	153.72	168.91 (12/7)	146.54 (4/1)	168.91 (12/7/85)	10.5 (28/4/42)
Trading vol	-	82,128	97,878	104.79m	101.3m	108.3m	—	—	—	—

	Sept 20	Sept 13	Aug 30	Year Ago (Approx)
Ind Div Yield %	4.74	4.71	4.81	4.66

STANDARD AND POORS

	Sept 26	Sept 25	Sept 24	Sept 23	Sept 20	Sept 19	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	201.30*	201.53	203.74	205.52	202.88	204.38	215.83 (18/7)	128.24 (4/1)	215.83 (19/7/85)	3.62 (30/6/32)
Composite	180.27*	180.68	182.62	184.30	182.83	183.38	195.65 (17/7)	163.68 (4/1)	195.65 (17/7/85)	4.40 (1/6/32)

	Sept 11	Sept 4	Aug 28	Year Ago (Approx)
Ind div yield %	3.78	3.75	3.72	3.97
Ind. P/E Ratio	12.41	11.81	11.88	10.89
Long Gov Bond Yield	10.73	10.39	10.35	12.38

N.Y.S.E. ALL COMMON

Sept 26	Sept 25	Sept 24	Sept 23	1985 High	1985 Low
104.28*	104.56	105.68	106.03	113.49 (17/7)	94.60 (4/1)

RISES AND FALLS

	Sept 26	Sept 24	Sept 23
Issues traded	1,939	1,948	1,983
Rises	412	502	1,055
Falls	1,054	982	479
Unchanged	473	464	449

New York Active Stocks

	Stocks Traded	3.00p.m. Price	Change on Day		Stocks Traded	3.00p.m. Price	Change on Day
Sou Calif	2,938,900	24	− ½	Hosp Cp Am	1,323,100	38¾	− ¾
Beatrice Co	2,546,900	37½	+3	Rich Vk	1,162,700	50¼	+2½
Gen Foods	2,457,800	109⅞	+3	Pan Am Corp	1,076,400	6⅞	+ ⅛
IBM	1,806,500	123½	− ½	Exxon	973,500	49⅛	+ ⅛
Mont Pwr	1,563,300	28⅝	+ ⅛	Mer Lynch	931,300	27⅝	− ⅞

Advances 543 Declines 907

TORONTO

	Sept 26	Sept 25	Sept 24	Sept 23	1985 High	1985 Low
Metals & Minls	1,893.6*	1,898.80	1,934.0	1,958.9	2190.7 (13/2)	1838.3 (8/1)
Composite	2,621.2*	2,615.80	2,656.2	2,688.1	2819.8 (30/8)	2348.5 (8/1)
MONTREAL Portfolio	127.77*	127.42	129.43	131.36	139.33 (19/7)	117.00 (4/1)

* Indicates pre-close figure

	Sept 26	Sept 25	Sept 24	Sept 23	1985 High	1985 Low
AUSTRALIA						
All ord. (1/1/80)	971.8	981.3	960.9	959.7	971.2 (26/9)	715.3 (7/1)
Metals & Mins. (1/1/80)	518.8	510.8	518.0	512.0	583.8 (20/5)	382.5 (7/1)
AUSTRIA						
Credit Aktien (2/1/62)	99.15	99.33	99.21	98.43	105.73 (17/8)	85.21 (2/4)
BELGIUM						
Brussels SE (1/1/80)	2433.18	2449.81	2467.86	2490.34	2490.34 (23/9)	2090.7 (16/1)
DENMARK						
Copenhagen SE (3/1/83)	u	u	215.74	218.38	218.41 (9/9)	158.44 (8/1)
FRANCE						
CAC General (31/12/82)	211.1	213.5	216.2	218.2	233.1 (31/5)	180.9 (3/1)
Ind Tendance (28/12/84)	119.4	119.5	122.2	121.8	130.4 (31/5)	100.1 (3/1)
GERMANY						
FAZ Aktien (31/12/58)	527.19	528.17	517.05	522.0	529.17 (20/9)	382.99 (3/1)
Commerzbank (1/12/53)	1553.8	1558.8	1523.7	1538.9	1558.8 (25/9)	1111.8 (3/1)
HONG KONG						
Hang Seng Bank (31/7/64)	1511.87	1547.68	1553.24	1535.45	1711.51 (19/8)	1220.74 (2/1)
ITALY						
Banca Comm. Ital. (1972)	400.60	398.18	389.98	394.41	400.80 (26/9)	226.56 (2/1)
JAPAN**						
Nikkei-Dow (16/5/49)	12689.50	12704.81	12755.8	c	13040.10 (8/7)	11545.2 (5/1)
Tokyo SE New (4/1/68)	1024.20	1019.34	1017.50	c	1057.55 (10/7)	916.93 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	211.6	218.2	218.8	218.8	223.8 (3/9)	185.6 (3/1)
ANP-CBS Indust (1970)	185.7	189.4	191.6	192.5	194.1 (3/9)	147.9 (3/1)
NORWAY						
Oslo SE (4/1/83)	364.07	368.77	388.23	387.75	368.77 (25/9)	288.12 (2/1)
SINGAPORE						
Straits Times (1966)	788.88	782.60	782.30	785.47	852.85 (7/3)	717.95 (15/7)
SOUTH AFRICA						
JSE Gold (28/9/78)	-	1110.4	1111.2	1099.0	1140.6 (15/4)	836.1 (11/2)
JSE Indust (28/9/78)	-	982.5	980.4	959.0	1036.8 (17/7)	787.1 (7/3)
SPAIN						
Madrid SE (28/12/84)	108.19	107.90	108.26	108.40	117.41 (4/2)	101.48 (2/1)
SWEDEN						
Jacobson & P (1/1/58)	1384.45	1392.57	1387.01	1392.55	1486.98 (11/2)	1285.32 (9/7)
SWITZERLAND						
Swiss Bank Cpn. (31/12/58)	472.3	483.2	485.1	485.8	498.3 (11/9)	388.7 (3/1)
WORLD						
Capital Intl. (1/1/70)	-	217.3	218.3	218.8	224.3 (17/7)	184.8 (4/1)

* Indicates pre-close figure ** Saturday September 21 Japan Nikkei Dow 12,733.0 TSE 1,012.99 Base values of all indices are 100 except Australia All Ordinary and Metals - 500 NYSE All Common - 50 Standard and Poors - 101 and Toronto Composite and Metals - 1000 Toronto indices based 1975 and Montreal Portfolio 4/1/83 † Excluding bonds ‡ 400 Industrials § 400 industrials plus 40 Utilities Financials and 20 Transports c Closed u. Unavailable

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued from Page 41

[illegible]

LONDON

Chief price changes (in pence unless otherwise indicated)

RISES			FALLS		
A B Elec	260	+22	AGB Research	209	− 6
Adwest	188	+ 6	Aberd'n Const	172	− 8
Armstrong	60	+ 5	Burgess	142	− 6
Celtic Haven	95	+ 6	Micro Bus	50	−27
Country Props	286	+ 6	Pilkington	248	−15
Ferranti	116	+ 6	Redland	299	− 6
McL & Harvey	116	+ 6	Robinson	116	− 6
Oceonics	59	+11	Royal Ins	650	−10
Somportex	124	+14	Vaal Reefs	£49½	− 1½
Spear & J'son	162	+ 6	Whatman Reeve	210	−15
Stag	64	+ 5	Wold	65	− 7
Wimpey (George)	121	+ 6			

Prices at 3pm, September 26

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
24⅜	16	AAR	.56	2.7	13	168	21⅛	20⅝	20⅝	−⅜
17⅜	9¾	AGS			12	111	15⅞	15¼	15¼	−⅝
16½	9⅝	AMCA				12	10⅛	10	10⅛	
21½	13	AMF	.25j		99	855	14	13⅞	13⅞	+⅛
30¾	26¼	AMR			7	3627	40⅝	40	40⅛	−⅜
25⅞	20	ANR pf	2.67	11.		6	23⅝	23⅜	23⅝	+¼
22	19	ANR pf	2.12	11.		1	19¾	19¼	19¼	
14¼	7⅜	APL				8	9¾	9⅝	9⅝	
81⅛	34¾	ASA	2	5.2		168	38⅜	37⅞	38⅛	−¼
27	11⅛	AVX	.32	2.7	17	28	12¼	11⅝	11⅞	+¼
28⅝	19¼	AZP	2.72	12.	7	1824	23⅛	22⅝	22⅞	+⅛
28	38¾	AbtLab	1.40	2.5	16	460	56½	55⅞	56½	
25⅞	20	AccoWd	.50	2.5	15	87	19⅞	d19⅝	19⅞	−⅛
24¾	12½	AcmeC	.48	3.0		95	13½	13¼	13¼	−⅛
10½	7⅛	AcmeE	.32b	4.2	11	16	7⅝	7⅝	7⅝	
10	15½	AdaEx	1.92e	11.		42	17⅜	17½	17¼	
17⅝	8⅝	AdvSys	.53t	3.9	20	96	13⅞	13½	13¾	−¼
37⅜	22⅛	AMD			16	2302	26½	25⅞	26⅝	+⅛
12⅜	6⅞	Advest	.12	1.4	20	165	9⅛	8⅞	8⅞	
15⅞	9½	Aerflex			11	69	12⅝	12¼	12⅝	−⅛
49⅝	32⅜	AetnLf	2.64	6.6	15	3570	44⅝	43⅞	44	−¼
57½	52⅝	AetL pf	5.79e	10.		10	55⅝	55⅝	55⅝	+⅛
37⅜	20½	Ahmns	1.20	3.0	0	100	30¾	30¼	30¾	+¼
3⅝	2⅞	Aileen				65	2¾	2⅝	2⅝	
57	42	AirPrd	1.40	2.8	12	356	52¾	52	52¼	−⅛
24⅝	16	AirbFrt	.50	2.2	13	121	22⅝	22⅜	22⅝	−¼
2⅛	1⅛	AlMoa	s.10e	5.3		26	1⅞	1¾	1⅞	
33⅜	27⅞	AlaP pf	A3.92	13.		14	30⅝	30⅜	30½	
8⅛	6⅞	AlaP dpf	.87	11.		15	7⅝	7½	7⅝	

Continued on Page 41

NYSE COMPOSITE PRICES

Continued from Page 40

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
21	17	PlanPt n				31	19½	10	19⅝	+⅜
17⅜	8⅝	PlanRs .20		1.2	18	64	16½	16⅛	16¼	+¼
11⅞	7	Plantrn.16b		1.7	11	26	9¼	9¼	9⅝	−⅛
13⅝	8½	Playboy			12	8	8⅝	8½	8½	
28⅞	19½	Plessey .64e		3.0	13	1	21	21	21	−½
22	13⅛	PogoPd .60		4.7	30	535	13⅛	d12⅞	12⅞	−⅜
33⅜	24¼	Polarid 1		3.2	121	1044	31¾	31¼	31⅝	−½
18⅝	10½	Pondrs .40		.3	31	3453	14½	12⅞	13⅞	+1⅛
21½	15¼	PopTal .80		4.7		10	17¼	17	17	
22¾	14⅝	Portec .45e		2.9	26	7	15⅝	15½	15⅝	−¼
21⅞	14½	PortGE 1.60		10.	7	275	16½	16¼	16½	
35⅝	30	PorG pf4 40		13.		15	33⅝	33⅛	33¼	+⅛
34⅝	28⅝	PorG pf4.32		13.		58	33	32¾	32¾	−⅛
38⅞	26	Potlich 1.56		4.7	13	60	33¼	33	33¼	+⅛
34	22⅝	PotmEl 2.16		7.7	9	1574	28¼	27½	28	−⅜
25½	18⅞	Premi s .36		1.6	17	11	22⅝	22½	22⅝	+⅜
40⅝	31	Primrk 2.20		5.5	8	18	40	39¾	39¾	
20⅝	14¼	PrimeC			13	1486	17⅛	16¾	17⅛	+⅛
36¾	18⅛	PrimM s.08		.3	27	347	35⅛	34⅝	34⅞	+¼
59⅞	50⅝	ProctG 2.60		4.6	15	1795	57⅝	57	57⅛	−¼
13	8	PrdRs s			20	60	12⅞	12⅝	12⅝	−⅜
47¼	35½	Prolar 1.40		3.6	15	11	39½	39¼	39¼	
2⅜	2	PruRC n				150	2⅛	2	0	
8½	8	PruRI n				123	8⅛	8	8⅛	+⅛
24¼	17⅝	PSvCol 2		9.6	0	352	21	20⅝	20¾	
21¼	16½	PSCol pf2.10		11.		60	19¾	19½	19½	−¼
10⅛	6⅞	PSInd 1		11.	10	340	8	8⅛	8⅛	
20	21¼	PSIn pf3.50		14.		z800	24¾	24¾	24¾	−1
9	6¾	PSIn pf1.04		13.		z1100	8½	8¼	8¼	−¼
8⅛	6½	PSIn pf1.08		14.		z1000	8	8	8	−⅛
71	52½	PSIn pf9.44		15.		z90	63⅛	63⅛	63⅛	−1⅛
63	48	PSIn pf8.52		15.		z100	58	58	58	+1
8¾	3½	PSvNH			8	206	7⅞	7⅝	7⅝	−¼
16⅛	8½	PSNH pf				z200	13	15	15	
17¼	8½	PNH pfB				8	15⅞	15¾	15¾	
24⅞	12⅝	PNH pfC				105	22⅝	22½	22½	−⅜
22	11½	PNH pfD				69	19⅝	19¼	19¼	−¼
22¼	11⅝	PNH pfE				157	20¼	20	20	
19⅞	9¾	PNH pfF				16	17¼	16½	16½	−1
29½	21¾	PSvNM 2.88		11.	8	135	26½	26¼	26⅜	−¼
[illegible]										
6⅝	3⅞	vjSalant				21	5⅞	5⅞	5⅞	+⅛
35¾	24⅛	SallieM .18		.5	15	135	32⅞	32⅛	32⅛	−1
26⅝	20⅛	SDieGs 2.24		8.0	8	449	25¾	25¼	25⅜	+¼
9¾	8¾	SJuanB 90e		10.	10	32	8⅞	8¾	8⅞	
48⅞	31	Sandr .80		1.7	18	397	36⅝	35¾	36¼	−⅛
25⅜	28	SAnRt 1.94		7.6	13	135	25⅛	24¾	24⅞	
35⅜	23¾	SFeSoP 1		3.1	14	1441	31¾	31⅜	31⅛	+⅛
46	30	SaraLee 1.44		3.8	12	1151	43⅞	43	43	
36⅛	29⅛	SgtWel 1.40		4.1	15	6	33⅞	33⅞	33⅞	
22⅞	16⅝	SavEIP 1.60		8.2	7	32	19⅝	19½	19¾	+⅛
12½	9⅝	SavE pf1.28		11.		2	11¼	11⅛	11¼	−¼
8⅛	5	Savin				985	7	6¾	6⅞	−⅛
13¼	9¾	Savin pf1.50		12.		1	12½	12½	12½	−⅛
28⅛	21¼	SCANA 2.16		9.0	8	66	24⅛	23⅞	23⅞	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, September 26

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 39

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Guessing game over Fed motives

RENEWED CONCERN over the prospects for Federal Reserve credit policies and for corporate profits kept Wall Street stocks subdued yesterday, *writes Terry Byland in New York.*

Blue chip stocks rallied from a poor start and major market indices were bolstered again by strength in General Foods. But the broad range of the market remained unsupported.

At the close, however, the Dow Jones industrial average was 8.74 up at 1,320.79.

In the credit markets, rates steadied as traders pondered the motives behind this week's heavy intervention by the Federal Reserve. The Fed made no move yesterday and some analysts rejected suggestions that it would ease policy, perhaps by cutting discount rates, to help lower the dollar in foreign exchange markets.

General Foods gained a further $2 to $108¾, with turnover again heavy. This followed reports that the company had effectively invited rival bids after receiving the approach from an unnamed suitor – generally identified as Philip Morris, the cigarette manufacturer. Morris eased $¾ to $75⅛.

The board of General Foods, which could also be interested in a management buyout, is thought by some to be seeking a bid of about $120 a share, valuing the group at $5.8bn.

One possible bidder seemed ruled out when Unilever, the Anglo-Dutch foods and detergent company, raised its terms for Richardson-Vicks after the Richardson family increased its stake.

Stock in Richardson jumped $2⅝ to $50, against Unilever's new offer of $60, as Wall Street wondered whether the Richardsons would continue to resist.

The spotlight also fell on other food stocks regarded as vulnerable. Beatrice Group, still struggling with stagnant profits after a heavy acquisition programme, jumped $1⅝ to $35½ in heavy trading.

Quaker Oats, an old bid favourite, added $1⅝ to $54¼. But Pillsbury, once seen as an alternative target for Morris, eased $½ to $58¾.

Early falls in the computer leaders were sharply reduced, leaving IBM $⅞ down at $123⅛, with turnover rising sharply as the price recovered. Similar paths were traced by Honeywell, down $¾ at $60¾, Digital Equipment, down $⅞ at $106¾ and Burroughs, down $¼ at $65⅝.

The Detroit motor stocks also steadied to show small, mixed price changes. But trading was quiet in General Motors, $⅜ higher at $67⅛ and Ford, up $⅛ at $44.

Selected chemical and pharmaceutical stocks continued to look for benefits in overseas markets from a lower dollar. Monsanto, at $45¾ added $¾, and Merck was $⅝ up at $108½.

Gloomy news on the company front included a loss and omitted dividend at Inland Steel, taking the stock down by $1 to $22⅝. Wheeling-Pittsburgh eased $¼ to $8⅝.

Other features included Merrill Lynch, the major Wall Street brokerage firm, down $⅝ at $27⅜ as it faced a suit for $1.3bn from Baldwin United, the ill-fated insurance company.

There was a burst of selling of CBS stock, down $1⅞ at $109 as Wall Street awaited news from a meeting of the board and analysts at major brokerage houses. Other broadcasting companies to feel the backwash included Capital Cities Communications, down $6 at $193, and Taft Broadcasting, down $3 at $75.

In the credit markets, short-term rates crept higher as noon passed without intervention by the Federal Reserve. Treasury bill rates were eight basis points up, with Federal funds at 7⅛ per cent.

Bond prices rose by a quarter of a point but trading was cautious as retail investors tried to read the moves by the Federal Reserve.

TOKYO

Near-record volume fails to excite

VOLUME surged in Tokyo yesterday with buying centred on large-capital issues and some constructions as the yen continued to rise against the U.S. dollar, *writes Shigeo Nishiwaki of Jiji Press.*

Blue chips and biotechnology stocks eased on light selling and share prices stagnated overall. Electric powers and steels were among the popular big-capital issues.

The Nikkei-Dow market average dipped 15.31 to close at 12,689.50. Also affecting the session were the 50 shares that moved ex-rights and 581 issues ex-dividend.

The volume of 1.35bn shares, traded up sharply from Wednesday's 568.30m was only slightly down from the 1.38bn high reached in 1981. Falls outnumbered gains by 450 to 357, with 94 issues unchanged.

Volume usually swells at this time of the year as securities houses gear up for the new business year in October. But yesterday's figure far exceeded predictions, as institutional investors stepped up buying after the central bank decided to continue its market intervention to guide the yen higher.

Among large-capital shares bolstered by lower interest rate hopes. Nippon Steel was the most active with 209m shares changing hands. It gained Y9 to Y189. Mitsubishi Heavy Industries was next with 103bn shares, rising Y3 to Y458.

Tokyo Gas moved ex-rights but held steady at Y315. Kawasaki Steel, Kawasaki Heavy Industries, and Ishikawajima-Harima Heavy Industries were also among the 10 most active stocks, adding Y1 to Y181, Y4 to Y244 and Y8 to Y218 respectively.

Turnover in Tokyo Electric Power stock, at 23m shares, was the largest in value terms. The stock climbed Y160 to another record high of Y2,650. Other electric power and gas stocks also rose sharply.

Large constructions were favoured, with Ohbayashi Corp putting on Y24 to Y488 and Taisei Corp Y25 to Y445. Nippon Yusen and Toray, counted as semi-large capital issues, attracted buyers, adding Y19 to Y364 and Y18 to Y574 respectively.

Blue-chip electrical and precision instrument shares eased on a broad front on concern over trade friction with the U.S. and lower export earnings due to the yen's appreciation.

Hitachi eased Y8 to Y652, TDK Y230 to Y3,820 and Asahi Optical Y21 to Y430.

Biotechnologies sank on a wide front, with Yamanouchi Pharmaceutical slipping Y110 to Y2,950 and Green Cross Y100 to Y1,960.

Bonds weakened on growing concern over declining yields, but financial houses, institutional investors, and securities firms hunted for low-priced bonds in the hope of interest-rate falls.

The yield on the benchmark 6.8 per cent government bond due in December 1994 rose to 5.770 per cent from Wednesday's 5.730 per cent.

SOUTH AFRICA

GOLDS, buoyed by a steady bullion price, led a moderate advance on a broad front in Johannesburg.

Trading was slow, but among golds Buffelsfontein put on 75 cents to R78.50 and Southvaal added 50 cents to R94.

Mining houses and platinums mirrored golds, but other minings were mixed. Gencor was up 75 cents to R30 while copper share Palabora shed 25 to R19.

Elsewhere AE&CI added 15 cents to R7.65 and Anglo American Corporation closed steady at R34.50.

CANADA

THE DOWNWARD drift continued in Toronto with investors waiting on the sidelines for direction.

Active stocks included Bell Canada, C$⅝ higher at C$40⅝, Canadian Tire which was unchanged at C$9¼ and Canadian Occidental Petroleum which was down C$½ at C$25½.

In Montreal, industrials and utilities traded marginally lower while banks were showing some resilience.

EUROPE

Weaker $ triggers fresh falls

FRESH WEAKNESS in the dollar triggered a number of falls on the European bourses yesterday although technical factors were more dominant in Germany and Belgium while Italy ignored everyone and coasted to a new peak.

Milan rose for the second consecutive day on the back of mutual fund and foreign buying which was spread across the entire market.

Industrial blue chips were sought actively as investors moved in the wake of a healthy batch of corporate results that has lured domestic and overseas investors into hefty purchasing programmes.

Reflecting the wide rally in the market, the Banca Commerciale Index rose 4.41 to a record 400.60.

Internationals were the obvious target of the buyers, with Olivetti L25 higher to L7,415, while Fiat hit a new high with a L185 jump to L4,700 following its strong first-half results earlier this week. Montedison recovered more of its losses suffered on Monday with a L31 rise to L2,466.

Saipem put on a further L250 to a 1985 high of L6,800 on persistent reports that the oil services group is poised to announce an equity capital increase, in part free.

Ciga eased L35 to L11,540 after early gains fuelled by reports that a public tender for shares of the hotel group may be launched soon.

Retailers lost ground, however, with Rinascente L29 cheaper at L1,000 and Standa L500 lower at L15,000.

Opening strength in Frankfurt was completely overturned by the close with the midday calculation of the Commerzbank index slipping 8,0 points from the peak of the previous session to 1,553.8.

Foreign buyers were active in the morning but by the end of the day the mood was purely bearish.

Few escaped the marking down. Rosenthal proved an exception with a DM 2.50 rise to a new high for the year of DM 306 in steady buying while insurer Munich Re stormed ahead with a DM 90 rise to DM 1,945 after Wednesday's equally dramatic DM 75 setback.

Apart from the technical retreat from Wednesday's record, the pressure of the dollar came to bear again with export stocks quickly surrendering recent strength.

Carmakers were caught in the crossfire with Porsche a further DM 45 cheaper at DM 1,297 while VW lost DM 10 to DM 323.50. Stores, which had found strong local support earlier this week, were also hard hit with Kaufhof down DM 14 to DM 310 and Horten, which benefited from brisk UK buying on Tuesday, shed DM 8 to DM 213.

Elsewhere, Mannesmann turned DM 4.80 cheaper at DM 220.80, GHH lost DM 5.50 to DM 186 and KHD surrendered DM 4 to DM 300.

Bonds traded sharply higher with gains of up to 55 basis points as foreign investors were lured back into the market on the prospects of the softer dollar. The Bundesbank was again active with substantial sales of DM 63m of paper compared with Wednesday's DM 33.7m sales.

Brussels suffered yet another bruising session with a hefty 18.43 drop to 2,433.18 in the Stock Exchange index.

Solvay, which fell BFr 200 to BFr 5,050, was hit again by a lower dollar and further consideration of the chemical group's first-half results. UCB also eased with a BFr 60 decline to BFr 5040.

Utilities managed to display some firmness with Intercom BFr 20 higher at BFr 2,380 and Ebes BFr 5 up at BFr 3,030 while recently-active Cimenteries CBR held steady at BFr 2,540.

Amsterdam suffered a brisk shakeout with a large 4.6 drop in the ANP-CBS General index to 211.6. Internationals followed the dollar lower with Unilever, currently in hot pursuit of U.S. acquisitions, a large Fl 7.50 cheaper at Fl 327 with Royal Dutch Fl 2.70 off at Fl 184.40.

Financials were also mauled with ABN down Fl 7 to Fl 485 ex-rights and Amev Fl 9.60 lower at Fl 279.

Foreign sorties into the bond market produced sharp rises although the CBS bond index managed only a 0.2 gain to 111.4.

Stockholm, Zurich, Paris lost ground although **Madrid** edged ahead.

AUSTRALIA

Industrials lead path to peak

A SPURT of late buying, particularly of industrials, boosted Sydney to a record high.

The All Ordinaries index climbed 10.5 to end the day at 971.8 – 8.4 up on the previous all-time high of September 13.

Overseas buyers helped the climb in the market which was led to its new peak by banks.

Other market leaders included BHP which reversed losses this week to gain 8 cents to A$7.48. CSR was up 7 cents to A$3.24; North Broken Hill firmed 8 cents to A$2.54 and CRA rose 12 cents to A$5.50. Westpac led the rise in banks surging 23 cents to A$5.08. National Australia was up 18 cents to A$5.00 and ANZ put on 14 cents to A$5.02.

Among golds, GMK and Kidston both put on 10 cents to close A$10.20 and A$5.50 respectively.

Sons of Gwalia added 3 cents to A$2.95 but Renison eased 4 cent to A$5.50.

LONDON

Gilts shine on renewed rate hopes

GILTS were one of the few bright notes in otherwise dull trading in London yesterday.

An overnight fall in Wall Street's Dow Jones index and worries about the U.S. economy combined to maintain the downward drift in equities. The FT Ordinary index ended the session 1.5 lower at 979.1.

Among actives, AB Electronics jumped 22p to 260p. Armstrong Equipment was up 5p to 60p, Bowater Industrial was unchanged at 318p and Micro Business System shed 27p to 50p.

Banks provided a firm spot but oils were dull and insurers weak.

Hopes of a cut in interest rates following the international moves to lower the U.S. dollar's value led to modest buying of Government securities. Longer-terms ended with gains of around ⅛ and short-terms improved by ¼.

Chief price changes, Page 39; Details, Page 38; Share information service, Page 36–37

HONG KONG

GROWING concern over the banking sector's exposure to troubled Orient Overseas shipping group depressed Hong Kong.

Trading in Orient Overseas has been suspended since the beginning of this month. It last traded at HK$1.99.

The Hang Seng index ended 35.81 down at 1,511.87 while increased selling by foreign brokers saw turnover up to HK$254.79, compared with the previous half day's figure of HK$158.24.

Among banks Hongkong & Shanghai was 20 cents down to HK$6.90, Hang Seng lost 75 cents to HK$40.25 and Bank of East Asia shed 30 cents to HK$21.

Losses among market leaders included Cheung Kong which was down 60 cents to HK$17.30.

SINGAPORE

SPECULATIVE buying again boosted Singapore which finished higher after active trading.

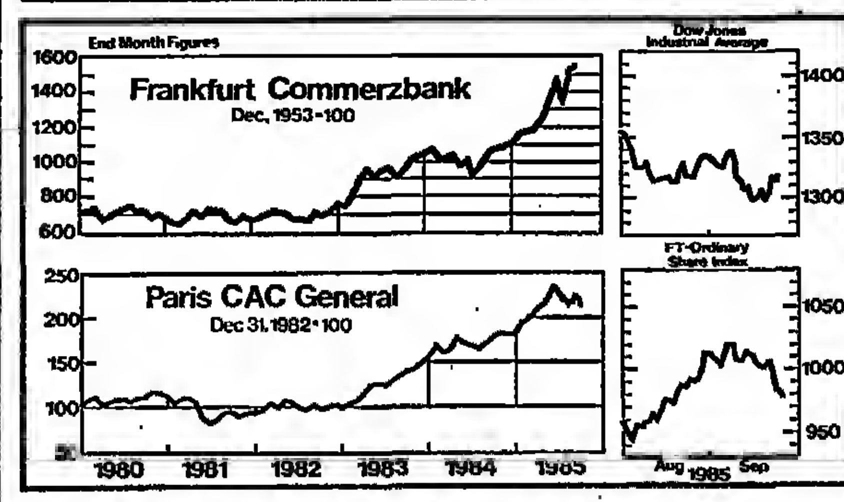
The Straits Times industrial index rose for the second successive day up 6.28 to 788.88.

Most active was Federal Cables which closed 18 cents up at S$1.54. Other actives included Data Consolidated, up 8 cents to S$1.89 and Kuala Lumpur Industries, which shed 2 cents to S$2.12.

Elsewhere, OCBC rose 20 cents to S$8.50, DBS put on 20 cents to S$5.45 and Haw Par Brothers was up 5 cents to S$2.22.

Hotels, properties and commodities were also up.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Sept 26	Previous	Year ago
DJ Industrials	1,313.17*	1,312.05	1,212.12
DJ Transport	641.50*	644.31	514.39
DJ Utilities	150.13*	151.77	137.26
S&P Composite	180.27*	180.66	166.28
LONDON	Sept 26	Previous	Year ago
FT Ord	979.1	980.6	872.0
FT-SE 100	1,270.8	1,275.2	1,135.5
FT-A All-share	618.68	619.89	536.48
FT-A 500	678.64	680.17	584.03
FT Gold mines	301.5	306.3	556.7
FT-A Long gilt	10.23	10.27	10.36
TOKYO			
Nikkei-Dow	12,689.50	12,704.81	10,620.1
Tokyo SE	1,024.20	1,018.30	822.31
AUSTRALIA			
All Ord.	971.8	961.3	727.4
Metals & Mins.	516.6	510.9	439.4
AUSTRIA			
Credit Aktien	99.15	99.33	54.49
BELGIUM			
Belgian SE	2,433.18	2,449.61	–
CANADA	Sept 26	Prev	Yr ago
Toronto Metals & Minls	1,893.6*	1,896.9	1,954.0
Composite	2,621.2*	2,615.8	2,379.3
Montreal Portfolio	127.77*	127.42	117.40
DENMARK			
SE	n/a	215.60	168.13
FRANCE			
CAC Gen	211.1	213.5	179.0
Ind. Tendance	119.4	119.5	118.3
WEST GERMANY			
FAZ-Aktien	527.19	529.17	365.73
Commerzbank	1,553.8	1,559.8	1,063.1
HONG KONG			
Hang Seng	1,511.87	1,547.68	999.79
ITALY			
Banca Comm.	400.60	396.19	213.26
NETHERLANDS			
ANP-CBS Gen	211.6	218.2	177.1
ANP-CBS Ind	185.7	189.4	137.1
NORWAY			
Oslo SE	364.09	368.77	254.67
SINGAPORE			
Straits Times	788.88	782.60	895.81
SOUTH AFRICA	Sept 26	Prev	Yr Ago
JSE Golds	–	1,110.4	995.3
JSE Industrials	–	962.5	860.7
SPAIN			
Madrid SE	106.19	107.90	146.42
SWEDEN			
J & P	1,384.45	1,392.57	1,421.64
SWITZERLAND			
Swiss Bank Ind	472.3	483.2	372.9
WORLD	Sept 25	Prev	Year ago
Capital Int'l	217.3	218.3	183.0

GOLD (per ounce)

	Sept 26	Prev
London	$329.25	$328.75
Zurich	$329.75	$328.50
Paris (fixing)	$332.91	$330.89
Luxembourg	$331.00	$329.05
New York (Dec)	$332.20	$334.30

* Latest available figure

CURRENCIES

	U.S. DOLLAR		STERLING	
(London)	Sept 26	Previous	Sept 26	Previous
$	–	–	1.4385	1.44
DM	2.66	2.68	3.8275	3.86
Yen	220.2	226.9	316.75	326.75
FFr	8.13125	8.2	11.68	11.805
SwFr	2.183	2.2065	3.1325	3.1775
Guilder	3.00275	3.049	4.315	4.39
Lira	1,801.25	1,824.5	2,590.0	2,627.25
BFr	53.95	54.35	77.6	78.25
C$	1.358	1.3615	1.95	1.944

INTEREST RATES

Euro-currencies (3-month offered rate)	Sept 26	Prev
£	11½	11⁹⁄₁₆
SwFr	4⅝	4⁹⁄₁₆
DM	4½	4⅝
FFr	10⅞	11⅛
FT London Interbank fixing (offered rate)		
3-month U.S.$	8	8⅛
6-month U.S.$	8³⁄₁₆	8⁵⁄₁₆
U.S. Fed Funds	7⅛*	7⅜
U.S. 3-month CDs	7.65*	7.75
U.S. 3-month T-bills	6.93*	6.84

U.S BONDS

Treasury		Sept 26* Price	Yield	Prev Price	Yield
9	1987	100¹¹⁄₃₂	8.75	100¹¹⁄₃₂	8.722
10⅝	1992	101¹⁹⁄₃₂	10.06	101¹⁹⁄₃₂	10.05
10½	1995	101¹⁶⁄₃₂	10.24	101¹⁵⁄₃₂	10.251
10⅝	2015	100²¹⁄₃₂	10.53	100²²⁄₃₂	10.546

Corporate	Sep 26* Price	Yield	Prev Price	Yield
AT & T				
10⅜ June 1990	100⅝	10.2	100⅝	10.25
3⅞ July 1990	81¾	8.65	81½	8.70
8¾ May 2000	83½	11.75	83½	11.80
Xerox				
10⅞ Mar 1993	98⅞	10.80	98⅞	10.85
Diamond Shamrock				
10⅞ May 1993	97⅞	11.20	96⅞	11.25
Federated Dept Stores				
10⅞ May 2013	93⅝	11.35	93½	11.40
Abbot Lab				
11.80 Feb 2013	102⅝	11.45	102½	11.50
Alcoa				
12¼ Dec 2012	100⅞	12.20	100	12.25

Source: Salomon Bros

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	75–23	76–05	75–19	75–20
U.S. Treasury Bills (IMM) $1m points of 100%				
Dec	92.95	93.06	92.94	93.01
Certificates of Deposit (IMM) $1m points of 100%				
Dec	92.15	92.26	92.15	92.21
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	81.84	91.94	81.83	91.81
20-year National Gilt £50,000 32nds of 100%				
Dec	113–04	113–10	112–31	112–26

COMMODITIES

(London)	Sept 26	Prev
Silver (spot fixing)	427.30p	430.55p
Copper (cash)	£951.00	£954.50
Coffee (Sept)	£1,567.50	£1,556.50
Oil (spot Arabian Light)	$27.90	$27.90